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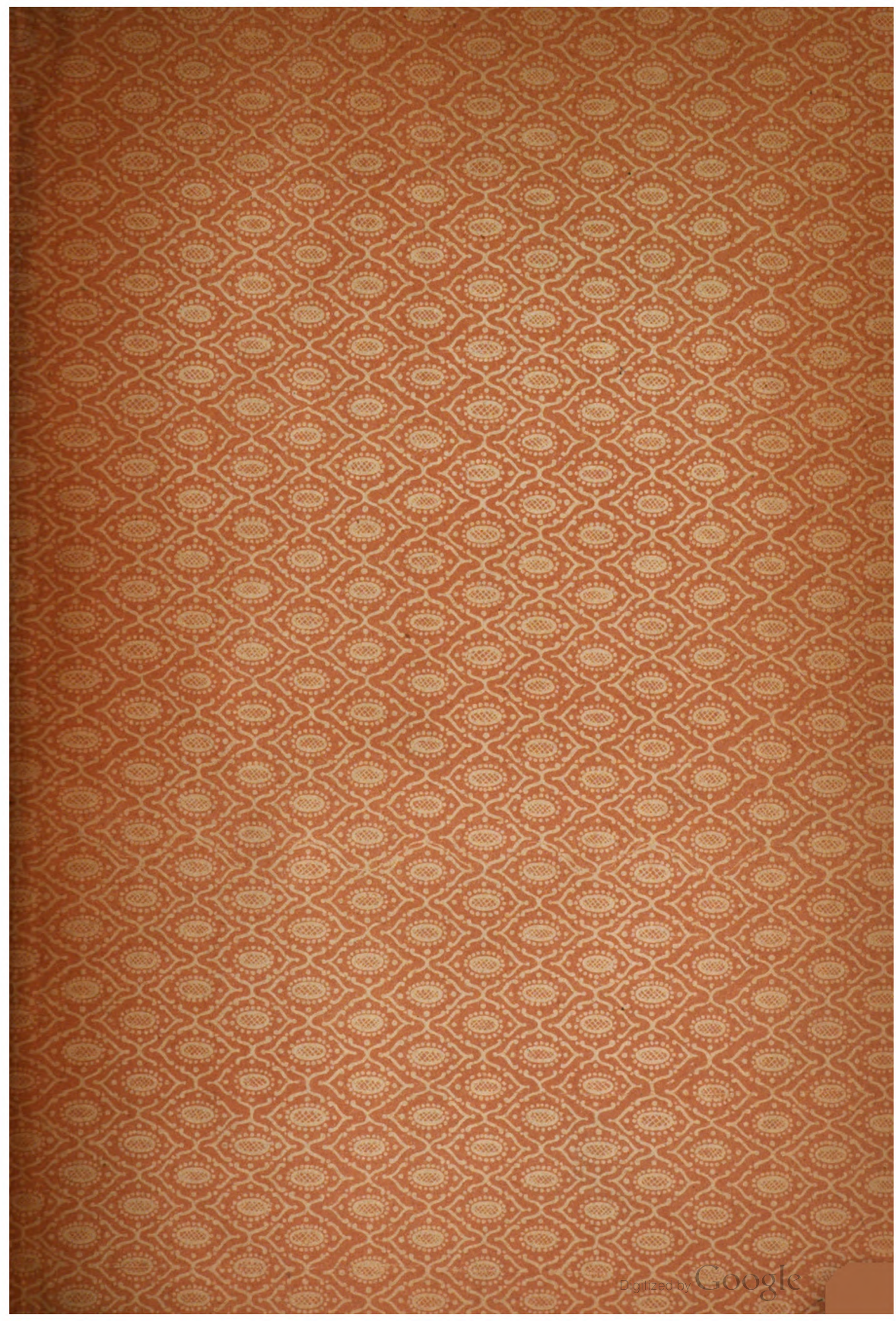
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A SOUND, HONEST, TRUE AND STABLE MONEY.



THE LUTTGEN MONETARY SYSTEM.

The Natural and Economic Solution of the World's Monetary
Problem.

BY

FRED'K WM. LUTTGEN.

40 Exchange Place, New York City.

WITH THE COMPLIMENTS
OF THE AUTHOR.

[The world's tendency towards a uniform standard
and the permanent establishment of the gold standard can
only be accomplished through bimetallism and through the
operation of this system.]

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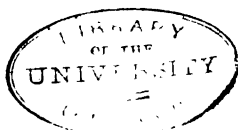
The Natural and Economic Solution of the World's Monetary Problem.

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"It should certainly be our earnest endeavor to amend to the utmost of our power all existent evils, and out of that duty to posterity, by which all true men are influenced to avert, so far as we may, the perils which menace the distant future."

J. W. FARRAR,

Dean of Canterbury.

"There could be no opposition among any portion of the people to the use of silver when it would not demonetize gold."

HON. JOHN SHERMAN,

In the United States Senate.



PREFACE.

The monetary science, notwithstanding the improvements in all the other branches of the scientific world, remains to-day with the same imperfections that existed centuries ago.

The discoveries of the application of steam and electricity have aided more the spread of commerce and civilization than any other agent. These agents, however, have been antagonized in the march of progress by an imperfect monetary system or medium of exchange.

The monetary system remains to-day in its primitive state, but when properly adjusted, as this system provides, will exercise greater powers than both steam and electricity in the extension of commerce, civilization and Christianity.

The merchant seems to have left this question in the past entirely to the banker; but the banker has given no attention to perfect the monetary system, but has improved and facilitated exchanges and the means to insure safety for centralized capital, etc. He has taken no measures to reduce the frequency of panics, well satisfied that his experience and his measures of safety would protect him against losses during the periods of any panics that might occur.

The merchant has been more public-spirited than the banker; *i. e.*, in establishing the system of insurance he provides for the safety of others as well as of himself.

We also may take the Mississippi planter, exposed to the periodical dangers of inundation by the Mississippi River with its 1,680 feet of fall, and a course through many latitudes. He was not satisfied in building levees merely to protect his own plantation against the recurring calamities, but through his efforts a substantial system of levees has been constructed that give protection to all industries within the Mississippi Valley.

A SOUND, HONEST, TRUE AND STABLE MONEY.

The world's primary money is based upon gold and silver, one nation having the gold standard, another the silver standard; while some, due to the fluctuations between these two standards, have become so embarrassed in their monetary affairs, resulting in depression of business and industry generally, that we find them with paper money deriving its value from its limitation and the necessity for a medium of exchange.

All monetary disturbances of the past in solvent nations have been caused by the artificial relation between the two metals. If these two metals had been properly adjusted, that one would take the place of the other at all times, no such monetary disturbances could have taken place.

The money of the world is bimetallic, and no nation, whether on a gold monometallic basis or otherwise, can escape the effect of this bimetallic system of the world.

It is the natural tendency of the world to aim at a uniform standard, and for this reason the gold standard, adopted by the leading commercial nations, is the object to be attained by all other nations; but the gold standard is not selected by them on account of the advantages that gold may possess, but simply because it is the existing standard of the leading commercial nations, and undoubtedly has been so adopted for its advantages. This natural tendency towards one standard has produced a monetary dislocation, and will further cause serious disturbances or panics from time to time, for as nation after nation will adopt this standard, gold will become in greater demand and silver correspondingly decrease in value until an inevitable panic will restore bimetallicism.

The monetary question is not an international question, for sound money at home will be sound money abroad, and fiat money, whether by international agreement or otherwise, will be unstable money at home. Recognizing that every nation's monetary system is influenced by the

bimetallic system of the world, this system will not introduce a new monetary metal with any nation, but will simply adjust the two metals now used as money, so that they may be at all times interchangeable and create a stable money heretofore unknown.

In the monetary disturbances of the past years the term "to do something for silver" has been frequently quoted. To establish a stable money it is impossible "to do something for silver," for the simple reason that a stable money absolutely requires the employment of silver, for without silver no stability in the monetary system can be attained.

The available gold for monetary purposes in the world is approximately from \$3,500,000,000 to \$4,000,000,000. The available supply of silver for monetary purposes in the world, on the basis of the former ratios of $15\frac{1}{2}$ to 1 or 16 to 1, is estimated to be about the same; that is to say, from \$3,500,000,000 to \$4,000,000,000, but at present market value of silver this would only be about one-half that amount, and the total gold and silver would not exceed \$5,600,000,000 at the present gold value, an amount equal to but \$4 per capita of the world's population. It will be seen that when the two metals are properly adjusted, silver may rise through the demand for money to its former value and even to a much higher plane.

There is not too much gold and silver in the world to be used as money, nor would there be too much if the supply were increased four-fold. We would then have but \$16 per capita to the world's population, an amount exceedingly limited when commerce may encircle the globe. This demand may be partly supplied by new bullion, partly by the appreciation of silver.

It may be safely estimated that through the struggle for a uniform standard, silver money has depreciated fully 50 per cent. and gold has correspondingly appreciated. This result, however, would be modified by any improved system of paper money and bankers' and mercantile credits, and by the limited use of silver as token money.

It is for economic reasons the aim of every nation to adopt the standard of the leading commercial nations, but through this effort one metal would be demonetized as long as the two metals are not properly adjusted. Without such adjustment it would be impossible for all nations to adopt

the gold standard, for the simple reason that the supply of gold would be insufficient for a universal standard.

The gold monometallists desire to demonetize one-half of the world's money in order that the other, by which their wealth is measured, may appreciate; but such principles deserve no sympathy, and are on a par of those of the highwayman or pirate.

The object of this work is, therefore, to bring the two metals into their proper relation in order to effect a universal stable standard and to maintain the existing gold unit.

While the purchasing power, measure of exchange or value of gold is regulated like that of any other commodity by supply and demand, the natural demand which commerce would create is materially modified by a system of treasury notes, bank notes, mercantile credits, etc., by the limited employment of silver, and nations not yet on the gold standard. Without these influences operating against the demand of gold, gold would be much higher in value and subject to greater fluctuations.

It will, therefore, be seen that a sound money must necessarily consist of gold, silver and paper, interchangeable at the pleasure of the holder.

Gold and silver must both be redemption money, and paper must be limited in amount to an extent that may never destroy confidence in case of commercial disturbances. When paper is so limited, it practically expands the supply of the money metals.

It will be seen, therefore, that to establish a sound money, the employment of silver will be a necessity and nothing "would be done for the sake of silver."

As regards our own monetary affairs and the opposition to a sound money on the part of our National Banks, it may be policy "to do something" for these banks to remove the opposition and to bring them under Government control.

Unfortunately, we have many bankers with so little knowledge of the art of banking and finance that unless they are permitted to issue money they are thrown into despair.

FRED'K WM. LUTTGEN.

OCTOBER 11, 1897.

INTRODUCTION.

Since the existence of our Government our commerce with other nations has suffered greatly from time to time through the necessary instability of our money under the existing monetary system of a fixed ratio between gold and silver.

The older commercial nations, through their accumulation of wealth far prior to the existence of this Government, are holding enviable positions as creditor nations in the commercial world. This country, however, with its great natural resources undeveloped, has not only found employment for its own money, but also very largely for foreign capital. The very employment of this foreign capital, although benefiting us in developments at home, at the same time has practically placed the stability of our monetary system at the option of our creditors to be used as their interest may dictate.

To enable the United States to extend her commerce to an extent to which the intelligence of her citizens entitles her, it will become necessary to establish a monetary system guaranteeing a stability impossible to be attained under the prevailing system. Not even the system of England, which is looked upon as having promoted England's prosperity, if introduced here, would stand the test of the drains our financial system has been subjected to.

FIXED RATIO.

No greater fallacy than that of the fixed ratio of the two necessary money metals has ever prevailed. It has been nursed by capitalists for their own benefit until the tendency of the world for one standard of money has made the continuance of the existing ratio for silver impracticable, and capitalists have now become monometallists, a policy which would insure continued instability and further their interests.

As England increases her profits largely in her commerce with nations on the silver standard through the fluctuations of exchanges, so in like manner our capitalists, aided by foreign capital, have found it profitable to discourage the introduction of a stable money, which would forbid

them to create the frequent panics from which our country has suffered, while other leading commercial nations have enjoyed the greatest prosperity.

The system which is herewith submitted to the public is superior to that of England. It establishes a gold standard which cannot be assailed, whether of debtor or creditor nation. The system recognizes that the world's money is bi-metallic, and is based upon the principle that a sound money system demands that silver shall protect the gold reserve. Under this system no want of confidence in our money can occur, and consequently it would avoid many a future recurrence of nearly all the panics which have been so destructive to our industries.

A perfect monetary system must offer to the creditor payment in gold, if he so prefers. The tendency of this system will be to concentrate gold here and consequently to ship silver abroad in payment of our foreign indebtedness.

INTERNATIONAL QUESTION.

It is difficult to understand how men of mature years and familiar with the natural laws of commerce can claim that the question of money is an international question. It is no more international than the solvency of a nation. If the United States were to adopt this system it would soon be demonstrated that the monetary question is not an international question, as the operation of the system would even compel England, in order to protect her gold reserve, to adopt the same system, and this without international conventions and commissioners of any kind, but simply from the motive of self-protection. Not only will the system protect us against our creditors, but it will aid other commercial debtor nations and have a tendency to increase our commercial relations with them very largely.

This system would spread the spirit of the Monroe Doctrine in aiding our South American sister republics to acquire financial independence.

This system will accomplish more in building up our commerce with countries south of us than any other measure. It will offer advantages to silver standard countries, which will have a tendency to make New York City, and not London, as at present, their future clearing house.

We are entering upon a new commercial epoch, and the United States should not only be in a position to compete for South American commerce, but for that of Asia and Africa as well. The Government cannot aid the individual in such enterprises more than by the acceptance of the Luttgen Monetary System.

MEASURE OF VALUE.

The measure of value and medium of exchange consists in the commercial world of three essential dependent parts :

First.—Primary money, that is, metal money of intrinsic or bullion value, upon which the other two parts are based, and without which in adequate quantities no stability can exist.

Second.—Auxiliary money, such as our Government notes, our National Bank notes, secured beyond all doubt for the ready exchange into primary money, token coins, such as the present silver dollar and subsidiary coinage.

Third.—Credit money, such as checks, sight drafts, bankers' credits, etc., etc.

When auxiliary money exceeds the limits of prudence and confidence, it becomes credit money of the third class, narrows the underlying basis, and the hoarding of primary money becomes the natural result.

Before proceeding further it may be well to refer more fully to these dependent parts of money to demonstrate their necessity. Primary money, if this were to include the entire stock of gold and silver in the world, would be insufficient to transact the world's commerce. The entire supply does not exceed \$6 *per capita*. The importance of the auxiliary money is, therefore, at once forced upon us. This auxiliary money is necessarily limited by the primary money, and to maintain its character should, under the greatest of safeguards, not exceed the primary in value. Nearly all our panics have been the direct cause of errors in regulating and preserving the character of our auxiliary money.

PRIMARY MONEY.

When primary money consists of gold only, the equal volume of auxiliary money would be perfectly safe, but when this primary money consists of both gold and silver,

the auxiliary money should not exceed $66\frac{2}{3}$ per cent., or, in other words, 40 per cent. of the whole. Suppose, under gold monometallism, the world's gold money should be equal to \$3 *per capita*, with an equal amount of auxiliary money, we would have \$6 *per capita*; but in the case of bi-metallism a primary money of gold and silver equal to \$6 *per capita*, and an auxiliary money of $66\frac{2}{3}$ per cent., or \$4 *per capita*, we would have a total of \$10 *per capita* as against \$6 under gold monometallism. Either amount would be insufficient to build credit upon to the extent required, if all nations were open to civilized commerce.

The world's money is at present unevenly distributed, and if commerce expands through Asia, Africa and South America, the strain upon the money reserves in the different commercial centers will be severely felt.

It will be noticed by employing both of the precious money metals, we have, with the addition of a conservative auxiliary money, but \$10 per world's *capita*, while at present the United States has a *capita* circulation exceeding \$20, and France's circulation is approaching \$40 *per capita*, upon which to base credit money which forms an essential part of the measure of value.

ERRORS OF OUR SYSTEM.

To solve our money problem, the faults of our system, if such it may be called, must first be recognized. In our system we find two fundamental errors.

The first, relating to our primary money, which should not be limited to gold. By the practice on the part of our Government of appropriating a profit from the coinage of silver, silver loses the position of primary money, and our entire monetary system is found to be dependent upon gold only, and this subject to manipulation on the part of our creditors and speculative capital.

The second error is found in our auxiliary money, the source of our recent monetary disturbances, in the fact that the national bank note circulation is not under Government control, and has been increased and used for the purpose of depleting the Government gold reserves and for the purpose of creating panics.

Our money trouble, therefore, is an insufficiency of pri-

mary money, caused by the seigniorage in silver and by the lack of control over the National Bank note issue. The first cause limits primary money to gold only, and the second cause increases the circulation dependent upon the primary money as a reserve. The note circulation must be controlled by the reserve held by the Government, and to further guard against endangering this reserve, and the hoarding of gold, as practiced by the banks in the past, not only to the injury of the Government, but also of their clients, all creditors of banks, whether holders of notes or depositors, should by law have the option of demanding either kind of money the bank may hold in its vaults or have on deposit in the clearing houses or elsewhere.

The proper coinage of silver is provided for by this system, and, with the two stated evils removed, our Government can fearlessly meet every obligation in gold at the pleasure of the holder.

THE FREE COINAGE OF SILVER.

The term, "free coinage of silver," appears to be misunderstood by the public generally, the true principle of free coinage being that the coin shall have bullion value; consequently, that the cost of coinage shall be borne by the Government, and it signifies nothing more or less.

The mechanical details or regulations of the mints or otherwise for the free coinage may vary according to existing circumstances without affecting this great principle. The essential features, therefore, of free coinage are that the coin must retain its bullion value, and that an adequate amount be constantly and regularly admitted into the monetary system. These are the essential principles of free coinage, and by bringing these principles into practice as to both metals, true bimetallism is established. Our mints have an uniform daily capacity. This capacity does not vary from day to day; consequently, the acquisitions of silver should be in uniform daily quantities.

PART I.

GENERAL ARGUMENT.

STANDARD.

The term standard is not generally understood by the public nor even by the average banker or financial man. In answer to my publication of May 10, 1892, I received a criticism from the editor of one of our New York financial papers taking issue with "gold being the standard of the leading nations of the commercial world." He claims that gold is not the standard of the leading nations of the commercial world, and quotes France, England, Germany, the United States and Holland as countries where silver is a "joint standard" with gold. He adds, however, "that is the metallic basis of full tender money."

This editor confuses the word standard applied to money in its foreign relations with standard as applied to domestic coinage or legal tender money. In France silver is a legal tender money and consequently a standard currency, but it is not the standard of the French money. Its standard is gold, and gold only. The same is true of Germany, England, Holland, the United States or any other country maintaining the gold basis. Though gold in these countries is the only standard or measure of money, it is not the only measure of value. The measure of value does not even demand a sole representation of money metal.

In the United States gold is our standard, but our measure of value is gold, silver and paper, in common with the commercial world. As stated, silver and paper may exercise in conjunction with gold the qualities of a measure of value; but their amounts must be restricted in relation to gold to that extent that confidence may never be shaken.

With such restriction, gold plus such silver, plus such paper combined, constitute the measure of value, and exercises this power throughout the world; for such use of silver and paper practically increases the volume of gold. When, however, such auxiliary money as silver and paper is used beyond the point of confidence, contraction is the result, and gold alone becomes the measure of value.

It is the object of this system to raise silver from an auxiliary to a primary money, and to give a stability to money heretofore unknown.

The metallic basis of full tender money can only be the coinage acceptable in final settlement to creditors abroad. In France silver is not the metallic basis in this sense, but only for domestic purposes, the silver being supported by the government.

Few of our business men, bankers or financiers realize the danger hanging over the commercial world should silver become discredited in France, Germany, Holland or other gold standard countries. As long as confidence remains in their respective circulations, these are exercising a tendency of lengthening out the supply of gold so essential in the exchanges of the world. The demand for gold and silver outside of the monetary demand being irregular, as well as the supply of both metals varying, it is impossible to maintain a fixed ratio between them. Whatever approximate ratio may have been maintained at any time during the past was entirely due to accidental causes and not influenced by the monetary laws of any nation. If the monetary laws of any nation could influence the relative value of the two metals, no monetary problem would be before us to-day, and no so-called legal demonetization of silver would have occurred, either in the United States or any other country. The demonetization of silver was entirely due to the development and exactions of commerce.

The "joint standard" of gold and silver for a measure of value or stable medium of exchange is practical only when the relation of the two metals is based upon a movable ratio following the market value of bullion. Under such a "joint standard" or measure of value the standard unit must be gold to prevent fluctuations in foreign exchanges. A fixed ratio would indicate an alternating standard, however near the ratio may approximate the market value.

What we need is the gold standard for our unit money and a "joint standard" of gold and silver for our measurement of values. A "joint standard" not only will represent larger metal money, but will admit of a greater auxiliary note issue; the whole, as stated before, constituting the actual measure of value. Under the "joint standard" the National Government must be prepared on demand to exchange one metal for the other; the individual, however, having the right to pay in either gold, silver or Government paper, based upon gold and silver.

The fight at the coming session of Congress, between the National Banks and the people, promises to be severe. At the bankers' convention at Saratoga recently a resolution was again passed to secure the circulation of the country, which is probably worth \$40,000,000 a year, and which amount, by the bankers' success, the people would lose. It is, in fact, equivalent to taxing the people to pay the bankers \$40,000,000 per annum, but this represents but a small proportion of the losses which the people will be compelled to sustain in case of panics; and under promiscuous banking circulation panics will occur at short intervals.

It is only necessary to refer to the condition of affairs in 1857 to condemn all money not absolutely issued by the Government. The great mistake has been made that at the expiration of twenty years the term of the original National Bank charter was extended without modification. This action has cost the nation directly in interest probably \$200,000,000, and indirectly, through the panics forced upon the country by the National Banks, losses running into the thousands of millions. The bankers do not propose to make silver a money of redemption, but if they can force the Government to withdraw the greenbacks and treasury notes and remove the legal tender quality from silver, they are willing that the people should suffer the loss on the silver coinage, and that the Government should repudiate its most sacred obligation. If there is any obligation on the part of the Government more sacred to be paid in gold than any other, it is the obligation to pay the silver dollar in gold, for the silver certificate is of the most recent issue, and the Government received a gold dollar's worth of silver for every dollar of this issue.

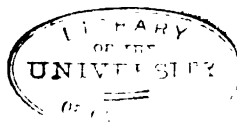
CIRCULATION.

The fluctuating circulating mediums in the past, not only in our own country, but in every country, have presented an obstacle to commerce, and these obstacles have been most severely felt in periods of war and even in unusual activity or dullness in trade. In looking for a solution of our monetary troubles, we must, therefore, not look to the past, for there has been no period in history when nations have not suffered through the imperfection of their monetary system.

The difficulties that the United States have encountered are familiar to all business men, and it is not necessary here to refer back to them beyond the period covered by the past sixty years, when the present gold dollar was adopted. This gold dollar was of reduced weight, and its object was to bring gold back into circulation. This very act acknowledges the fallacy of a fixed ratio between the two money metals; yet sixty years have elapsed, and we find ourselves yet struggling under the drawbacks of the error that was then acknowledged to exist.

BANKING SYSTEM.

The wild banking system that was allowed to grow and control the circulating medium of the country collapsed in 1857, producing a panic until that time unparalleled in American history. The results of this panic were not limited to the ordinary losses in business and the destruction of commerce, but became the indirect cause of our Civil War. Civil wars do not occur in periods of prosperity. The nation may be drawn into foreign war at any period, but there is no record in history of any civil war, unless poverty or hardships existed. The growing sentiment against slavery would have been met by friendly settlements of this question and compensation to the slave owners. The scarcity of gold made a suspension of specie payment a necessity during the war, when, had true bimetallism existed prior to 1857, and the note issue been strictly under Government control, this country could have gone through the war without a suspension of specie payments and thereby have saved perhaps one-half of the entire cost, an amount with interest that may be roughly estimated at \$5,000,000,000.



LEGISLATION.

The tentative nature of our monetary legislation since 1863 left the problem of its final solution open for future accomplishment. This unsettled position of our monetary system led the author, some ten years ago, to undertake the study with a perseverance that should lead to a final solution.

The first step to be considered was to ascertain the errors or shortcomings of our system ; the second, the requirements necessary to make our currency perfect in every respect, not only to protect our citizens at home from undue fluctuations, but also to establish a currency which would aid us in our commercial relations, particularly with those nations of our own Continent whose trade is so industriously sought by the commercial nations of Europe. These two features thoroughly realized, the author was prepared for the work of correcting existing errors, and perfecting the system to accomplish the desired ends.

The monetary question has not been understood by our people nor by our representatives, but has been treated in a superficial manner and influenced largely by personal interests. The coining or creating of money is a function reserved by the Constitution to the National Government. The people in the past have not realized that the issuing of an auxiliary paper money is practically the coining or creating of money, which, under the Constitution, cannot be delegated to any of the States or to any corporation. There is nothing in our monetary history previous to the war that is deserving of attention. It is simply an account of failure upon failure.

When the national bank note was created, it was not created with a view of perfecting our monetary system, but it was created in time of need to aid the Government in placing its bonds. One of the greatest errors was made when, at the expiration of their charters, the same were extended without modifying the condition of circulation. The National Banks have been the great disturbing element in the past five or six years, and have forced the repeated panics upon us.

The monetary legislation since the suspension of specie payment has been a creditable and progressive legislation until 1893. The legislation of 1873, instead of being a crime, as it is commonly termed in our political campaigns, was

most judicious, and to the best interest of the country. This legislation was followed in 1875 by the tentative legislation creating a trade dollar. This in turn was followed in 1878 by the Bland act, also progressive yet tentative legislation. In 1875 the act for the resumption of specie payment on January 1, 1879, was passed. To this I will refer hereafter.

In 1890, the Sherman act was passed. This act was also progressive and tentative legislation, but was not considered at the time to be final or perfect. All legislation up to this period was for the best, according to the light then possessed on the subject. Had this legislation been followed prior to 1893 by the introduction of this system, the panics covering the years of 1893, 1894, 1895 and 1896 would not have taken place. The repeal of the Sherman Law in 1893 was an act of national folly, which the nation has not yet fully recognized; yet the continued excessive fluctuations in business will compel recognition of this fact before long.

Silver may be considered the right arm of the nation in its struggle for international commerce, and in its domestic developments. In cutting off silver, the nation may be compared to a man troubled with indigestion visiting his physician, and having his right arm cut off, to cure his indigestion.

INDIA.

A decline in silver prior to 1893 interfered with the sale of English manufactured goods and promoted home manufacture. To protect her manufacturers England caused the stoppage of the free coinage in India, and fixed the nominal value of the rupee at 1s. 4d., or equivalent to one-fifteenth part of the pound sterling, and both rupee and the pound sterling, bearing a ratio to each other of about twenty-two to one, were made legal tender.

The current ratio of India had previously been fifteen to one, and their gold coin, the mohur, of the same weight as the rupee, or 165 grains of pure metal; while the pound sterling, which has been substituted, contains but 113 grains of pure gold.

The India monetary system may, therefore, be now compared with our own, silver being maintained at a fictitious valuation, but this ruling has given India a more stable exchange than she previously enjoyed.

This advantage she has fully recognized, and refuses to entertain any proposition to resume the free coinage of silver. She does not realize the danger that is hanging over her in maintaining a large silver circulation at a fictitious value. Her interests are prospering under the temporary advantages her present system offers.

The greater value of silver in the interior of India, as well as in many other silver standard countries, is due entirely to the primitive nature of commerce and to the prejudices of the people.

This difference in value, however, is only temporary, and will not be maintained as commerce is extended and the people become more enlightened.

The present Indian monetary system is under protection of the home government, and its stability is not menaced by innumerable banks struggling for circulation as in our own case.

If England wishes to protect herself against the immediate increase of home manufacturers in her colonies, she should place these colonies upon a sound money standard in harmony with that of her own, and this can only be done through the principles of the Luttgen Monetary System.

The system would harmonize the prejudices of the people in favor of silver with the gold standard, and manufacturing industries whether at home or in the colonies would enjoy their respective merits.

It was not only the higher price at which the rupee was held in the interior, but the fluctuations between the gold standard and the rupee which worked against English manufactured goods; and it will be greatly to the benefit of English manufacturing interests to place both metals upon their bullion value on the gold standard in the monetary systems of her colonies.

"COIN'S FINANCIAL SCHOOL."

A publication which was widely circulated during the past year, purporting to be in the interests of sixteen to one, defeated itself by its own argument in the statement on page 141, that if, after the practical effect of free coinage, it should be demonstrated that the value of $371\frac{1}{4}$ grains of silver should be less in value than 23.2 grains of gold, the

dollar should be accordingly reduced. The ratio of sixteen to one is here absolutely abandoned, as well as the theory of bimetallism. Gold is intended to be more of a token money.

The plan would favor repudiation in so far as it would reduce the weight of our present gold dollar. To preserve the integrity of our money, we must defend the existing standard which has prevailed for eighteen years. In thus lowering the value of gold that it may circulate with silver, "Coin" not only abandons the ratio of sixteen to one, but discards stability, the essential element of sound money. It practically places the cart before the horse, and claims that great results will be obtained. This is a proposition which every farmer has the opportunity to test.

The publication, it will be seen, is inconsistent and without merit, and was brought into notice more by the eastern press, for the purpose, it would seem, of intensifying the panic of 1896.

"BIMETALLISM."

The legalized use of two metals (as silver and gold) in the currency of a country. The inferior money metal (silver) so adjusted to the superior metal (gold) that its intrinsic or bullion value will permit ultimate settlements thereby between nations, the adjustment to be such that in practice neither metal (silver nor gold) would, at any time, become demonetized.

FRED'K WM. LUTTGEN.

RESUMPTION ACT OF 1875.

To illustrate the evils of a fluctuating currency, let us take the case of two neighbors when gold was of the value of 250 in our currency; for instance, each being worth \$1,000 in gold. A had his wealth in gold coin; B, his in a farm; B borrows of A \$1,000 in currency, which would take \$400 of A's \$1,000. B has now \$1,400 in gold and owes \$1,000 in currency. In 1879, B returns to A \$1,000,

and has left on hand \$400 in gold ; A, however, has \$1,600 in gold through this operation. A is now worth four times as much as B is worth, when previously they were of equal worth.

All legislation since the war has been in favor of capital. The Resumption Act of 1875 should have protected the debtor by authorizing existing debts to be paid in gold at a ratio then existing, providing the premium of gold was not greater than when the debt was created.

THE ABSURDITY OF THE SO-CALLED ENDLESS CHAIN.

By act of January 14, 1875, authorizing the resumption of specie payment, to take effect on January 1, 1879, the issue of bonds for the maintenance of the reserve was authorized. The act of May 31, 1878, referring to the re-issue of treasury notes, can have no other interpretation put upon it than that, when such notes were received as custom or revenue dues to the Government, they should be put into circulation again by meeting Government expenditures ; but when such notes were redeemed by their payment in coin, they should be put again into circulation against the receipt of coin.

This is so self-evident that it requires no argument ; if it were not, the item of redeemed notes would naturally appear in the appropriation bills of Congress ; but we have further proof that this interpretation was the intention of the law. In the act of July 12, 1882, authorizing the issue of certificates against the deposits of gold coin, and providing for the suspension of the issue of such gold certificates whenever the gold reserve falls below \$100,000,000. It is self-evident that it was the intention of the law that when this gold reserve fell below \$100,000,000, the United States Treasury notes, redeemed and on hand, would be issued in place of the gold certificates against the receipts of deposits of gold.

This question being of such vital importance (should this interpretation be doubted), it would be advisable to bring the question before the Supreme Court for its decision, as well as the question of equality of all government money under the law of 1890.

THE INDIANAPOLIS MONETARY COMMISSION.

The true motive of the Indianapolis convention is given in the opening remarks of the temporary chairman in advocating the substitution of National Bank note circulation for greenbacks, and the issue of National Bank notes to the par value of bonds, and the reduction of the existing tax.

The proceedings of the convention and the subsequent action of a commission appointed by the convention to hold its sessions at Washington clearly demonstrate that the movement was undertaken in the interests of the banks to secure to them the circulation of the country. It would seem that the object of this action on the part of the banks is to obtain for their plan a semblance of popular approval.

The National Bank circulation was created during the war with an object of furthering Government interests. In late years, however, the National Banks have antagonized the Government, and there is no reason why their circulation should be further extended.

The New York *Commercial Advertiser*, a paper devoted to the interests of combinations of capital, stated truly in the editorial of January 12, 1897, "the talk about the Government being in the 'banking business' is pure rubbish; as a matter of fact, the Government is not in the 'banking business.' It would be much nearer the mark to say that National Banks were in the Government business.

"Equally irrelevant is the gabble about an 'endless chain' endowing banks with the exclusive power to issue paper currency, as has been proposed, to do away with this difficulty. It would merely transfer the entire duty of redemption to the banks, and it would in no wise prevent raids upon the gold reserve of these institutions in case of panic." It is a pleasure to see such sound common sense in the columns of the *Commercial*, for the danger to our business interests from the bank note currency is far greater than the danger of free silver coinage at the ratio of sixteen to one.

The National Banks have been working for years to undermine our money, and they have practically four thousand agencies throughout the country for this purpose.

They had the late administration under control, and

appear to be not without influence with our present administration.

A National Bank president has been placed at the head of the Treasury Department, and the policy of the previous administration has so far been continued.

The President's currency message of July 24, 1897, was looked forward to with great interest, as it was expected to definitely outline the policy of the present administration. The message was a disappointment, in so far as it showed the present administration to be on the side of bank corporations in their fight against the interests of the people. The reference to the Indianapolis Convention was unfortunate, for the President's inaugural letter appeared to have been written under the influence of the National Banks. The letter contains these words :

"The several forms of our paper currency offer, in my judgment, a constant embarrassment to the Government, and imperil the safe balance in the Treasury."

It should be borne in mind that under the act of 1890 the several forms of paper money became equal and practically one issue. By "the safe balance in the Treasury," the President undoubtedly meant a safe reserve in the Treasury, for the Government fiscal system should be separate from the Government monetary system.

The money under the act of 1890, being all equal, a safe reserve has been imperiled by drawing upon the monetary system for deficits in revenue, and further by creating doubt in the minds of the people, on the part of the late administration, as to the equality of all Government money.

Another influence aided to imperil the reserve was the increase of National Bank note currency ; also, the continued separation of the gold represented by gold certificates from the amount of gold held by the Treasury in reserve.

Under the law of 1890 no such separation should have been permitted to continue. A further cause was the Government deposits in National Banks while revenue was deficient. The money so deposited was the proceeds of sales of bonds.

A capable Secretary of the Treasury would have been able to prevent both the 1893 and 1896 money panics. The currency certificate represented another agent for producing these artificial panics.

If the present administration would treat all Government money alike, as provided for under the laws of 1890 and 1893, one of the temptations to manipulate our money for speculative purposes would be removed.

While the reserve of \$100,000,000 is small, the Secretary of the Treasury would not only have been able to maintain it against all attacks, but to have increased it without additional legislation or the issue of bonds.

To place our money upon an enduring basis, not subject to easy attack, nor its stability to doubt or dispute, the Executive must, as a first step, carry out the spirit of the law of 1890, and permit of no distinction in our money. Pay the silver dollar in gold and every difficulty is overcome.

The St. Louis platform declared in favor of our present money—gold, silver and paper, as expressed in the law of 1890, and the late national election was settled on this question. A party advocating the retirement of the greenbacks and the placing of the control of the monetary system into speculative hands, through our national banks, would not have received a vote equal to that of the Mugwump party of Indianapolis.

On account of the apparent prejudice of the President in favor of the National Banks, the country is under great obligation to our Senate for having declined to authorize the monetary commission, which commission would undoubtedly have been one favoring the National Banks.

The Secretary of the Treasury, as the guest of one of the Assistant Secretaries, under the late administration, thought the monetary commission "an open forum to which could be admitted every contributive suggestion, from all classes and conditions of men," and further stated: "If there is anything dear to the American heart, it is the privilege of having his say; give him his say in court, let his argument be heard, and then, if the jury is against him, he rests satisfied."

The Secretary here indicated that the Bankers' Commission could listen to the people, give them their say, and then act for their own interests. This is the nature of the commission we have escaped through the non-authorization by the Senate. The Secretary, however, has not lost courage, but says that that which might have been accomplished

through the Congressional Commission may be achieved without one (no doubt referring to the Indianapolis effort).

With this the Secretary dismisses the monetary question, and by a few words attempts to defend industrial corporations which now so severely oppress our country.

A PERFECT MONETARY SYSTEM.

A perfect monetary system must consist of gold, silver and paper, all possessing equal legal tender qualities, and interchangeable at the option of the holder. To accomplish this, the Government must have absolute control over the system. A prejudice exists upon the part of some against paper forming part of the currency, but this prejudice is without excuse, as under all circumstances paper will form a portion of the circulating medium through bank credits, etc.

To exclude paper from the monetary system would place unnecessary obstacles in the way of commerce. As stated before, the paper portion of the circulating money must at no time exceed the limit of confidence under the most trying circumstances. I hold that the United States will remain within the safety limit by issuing paper to the extent of 40% of the whole circulation, this paper to have an authorized underlying bond issue. A bond bearing a low rate of interest, say $2\frac{1}{10}\%$; this would be at the rate of 7 cents per day for \$1,000.

The amount of this paper outstanding to be entirely controlled by the public, except as to the extreme limit of 40%, and a further restriction in case the gold reserve should be less than 20%. The metal, silver and gold in the monetary system must always equal at least 60% of the total. Under the operation of this system, it may be safely calculated that within a shorter period than the existence of the laws which created our present silver coinage, the entire amount of silver will be practically at a parity with gold.

England's great advance in commerce was gained under a stable monetary system, giving her every advantage at home, and by a fluctuating currency in her colonies, as well as in South America and other countries, whose trade she has practically monopolized. This fluctuating money has been to the advantage of England, and to the great disadvantage and even ruin of countries trading with her.

The United States has had a currency which at periods has been distrusted, and she has constantly suffered in her commercial relations with other countries. Creditor nations, such as England, Germany, and France, have derived advantages over us through our fluctuating money, and we have suffered the losses.

The United States has now arrived at a period prepared to enter the markets of the world against the older nations of Europe. To successfully accomplish this, it will not only be necessary that our money shall be as stable as that of England, but we must present to countries on the silver standard a system by which the disastrous fluctuations between the two metals may be avoided. Such a system will accomplish more towards increasing our commerce than a proposed international bank, a proposition entirely impracticable and which the Government should not encourage.

Apropos of this subject, the *Pio News* stated lately the opinion that "the United States had better first produce the merchant, and the merchant would create his own banking conveniences." In many spheres the merchant of the past cannot be found to-day. We have in his stead promoters of corporations, less engaged in the pursuits of commerce than in schemes to foist watered stock upon the public.

The result of this system would be the practical unification of the two money metals. Any increased demand for silver would advance the price of silver, and so benefit the nations whose commerce we seek. It will enable these nations to adopt the same money standard even without gold, and thus avoid such losses as the depreciation of silver has forced upon them.

Mexico and other countries have placed bonds in Europe payable in gold, for which they received silver, then on a parity with gold. To satisfy these bonds they would now have to pay more than double the quantity of silver received therefor. England would soon feel the result of this system in the loss of her gold, and to protect her gold reserve she will find herself compelled to adopt this system in place of her present policy.

The low price that the farmer has received for his wheat, at times, has been caused by the competition from

wheat-exporting countries on the fluctuation silver or paper money standard. In many commercial countries a prejudice in favor of silver exists, which makes this silver worth more at home than in the markets of the world, enabling the producer of grain to compete against our farmers to an unnatural extent. The same holds true, also, to a greater or lesser extent, of exporting countries on the paper basis. The paper not fluctuating or depreciating in the interior in comparison to the variations of exchanges in their own commercial center.

FROM THE NEW YORK "TRIBUNE," BY
G. R. HORR.

I believe in the use of gold and silver as money to the fullest extent that can be done on sound money principles. I believe that both gold and silver are the natural money of the world. That in all transactions of the nations of the world, the two metals should be used in the settlement of balances, but only at their commercial value.

I would have the money that measures value the most stable that can be devised. I hope some day the business men of the world would get together and fix upon some plan whereby we could use both metals as the money of redemption. I am clearly of the opinion that both gold and silver should be used as money of ultimate redemption.

The people of the world, the business men of all nations, should have treated the subject with some common sense and thus avoid all this long and bitter controversy. We should use some common sense now.

It does seem to me that some plan should be devised to use both silver and gold as the money of ultimate redemption. They have been used in that way in the past ages by changing the ratio from time to time as the real value of the two metals made the change necessary. I will do all in my power to reach such a result. I very much desire to have silver restored to its position as money of ultimate redemption. I would have some new ratio agreed upon which as nearly as possible shall be placed upon the real intrinsic value of the two metals. I would seek a ratio which the business men of the world will accept as being fair and honest.

TO THE ADVOCATES OF FREE COINAGE OF SILVER AT THE RATIO OF 16 TO 1.

The Luttgen Monetary System being submitted to you as a scientific and final solution of the money problem, it remains now to point out to you the advantages of this system over the plan of free coinage of silver at the ratio of 16 to 1 which you propose.

The past monetary history of the United States, without referring to that of other nations, will convince you that the fluctuations between the two metals do not admit of the concurrent circulation of silver and gold, except at the moment when they may cross or recross each other in their fluctuating values. It was these fluctuations that caused the demonetization of silver, as the development of commerce and close competition found an insurmountable disturbing element in the monetary plan. You believe that the free coinage at 16 to 1 will advance the value of silver to a parity with gold. The experience of the past does not indicate anything to base such a supposition upon; but the advance of silver to a parity with gold without remaining absolutely stationary would be of no benefit. It would cause a limping standard whose instability, as in the past, would keep the commerce of any nation at a disadvantage.

If silver should not advance to the value of 16 to 1, the United States, with free coinage of silver at this ratio, would be on the silver basis, and isolated from the leading commercial nations, the same as South America, Mexico, etc.

It is not my intention to enter into the disadvantages of the silver basis, but to confine myself rather to the effect such a silver basis would have upon the value of silver. The demand of silver for a currency basis would be very limited, and the system would not encourage other nations to adopt the silver standard; but, on the contrary, the abandonment of gold by ourselves would enable other nations to enter upon the gold standard, and our money would be subject to still greater manipulations on the part of our foreign creditors. Silver cannot, therefore, be expected to advance permanently much beyond its present price; while on the other hand, the Luttgen Monetary System would give to silver the character of gold, create

an unlimited demand for silver, make it a money metal for settlements of balances with other nations, and avoid the instability in our money which would naturally exist through the so-called free coinage of silver. The entire stock of silver, together with all that the mines may be able to produce, would become an active circulating medium in every nation of the world. Its value would probably advance in course of time beyond the ratio of 16 to 1.

An international agreement would not accomplish any more for silver than the free coinage of silver by the United States. It would leave silver in the position of a subsidiary money. To benefit our money, silver and our extensive mining interests, silver must be placed upon the basis of money of final redemption.

You understand by the free coinage of silver a promiscuous presentation of unlimited silver bullion to the Government and receiving therefor silver coin in exchange. Such a policy would undoubtedly place the United States upon a monometallic silver standard, and yet the capacity of the mints would necessarily regulate or limit the amount of silver the Government would be prepared to take. When this limit would be full, silver bullion would necessarily decline, and thus another source of instability would be forced upon the people.

It should not be difficult for you to recognize the disadvantages of such a course, nor should you fail to recognize the advantages of the scientific Luttgen Monetary System, which system would subject silver to no disadvantages whatever. It will encourage the price of silver in various ways, fully explained in the body of this work; but it may be well to state here that the silver delivered to the Government cannot be withdrawn from the Government at a lower valuation. The Government would admit silver into the monetary system, practically at all times, but pay out silver only on an advancing silver market.

One of the greatest drawbacks of free silver coinage would be that the entire stock of silver now in the hands of the Government would at once be in the market at the then existing price of silver bullion, through which not alone the Government would lose heavily, but the people as well. *Free coinage is not necessarily that which is now most generally understood by the public, but is the coinage of silver bullion into*

money without coinage charges by the Government, and without the Government deriving any seigniorage therefrom.

My system provides for a uniform daily quantity of silver to be admitted into the currency at the market value; in other words, the owner of silver will receive full value therefor in coin, and he will further have the privilege of exchanging this silver coin if he so prefers into gold coin or legal tender notes.

By the Constitution, the right to coin money is strictly limited to the National Government. To coin money must be interpreted in a broader sense to mean that the power to create money is confined to the National Government. Money in modern times and for the conveniences of modern commerce must necessarily consist of gold, silver and paper. The power to issue paper money should not be conferred upon any corporation or any of the States of our Union.

All money issued by the Government in denominations of \$1 or multiple thereof, whether in gold, silver or paper, must at all times be exchangeable at the pleasure of the holder; and when so exchangeable, be legal tender to any amount.

A fluctuating money, varying in value from that of the leading commercial nations, represents a constant drain or tax for the benefit of foreign nations. Even India has recently declined to resume the free coinage of silver, having, under a system similar to our own, enjoyed comparative stability in her exchanges.

The evils of monometallism have been fully demonstrated in the case of panics. To illustrate the disadvantages of one country having one standard, another country another standard, it is stated that during the panic of 1847, in London, it was not possible to borrow a guinea on sixty thousand pounds of coined silver, and in the panic of 1864, in Calcutta, a possessor of twenty thousand pounds in gold coin was obliged to declare himself insolvent because he could not raise a single rupee on this gold. Such a condition could not exist under this system. Both metals will attain a concurrent circulation over the entire world, and will be beyond the control of future legislation. The system will absorb all silver that may be produced, but will in no manner interfere with its market value. It

will limit neither silver nor gold to any fixed ratio. This system "does nothing for silver," for it recognizes silver as an essential part of stable money.

Under this system our mining industries will become more active than at any former period. Silver will have a more stable value, and will be no longer influenced by the coinage laws of any nation.

My system will permit the Government to at once resume the purchase of 180,000 ounces of silver per day as a tentative amount; this would represent 54,000,000 per annum as the law of 1890 provided. This silver is in reality not purchased, but admitted into the currency and coined as provided for under this system.

A certain Chicago publication largely circulated during and prior to the Presidential campaign of 1896, and a work which was claimed to represent the silver interests, acknowledged that the free coinage of two metals is impracticable, and proposes to change the weight of the gold dollar in accordance with the fluctuations of silver. This proposition would not only act against silver, but be detrimental to all industries. As we are at present on the gold standard, such a change would be repudiation of a portion of all existing indebtedness.

The Constitution provides for the coinage and regulation of money, but does not justify the repudiation of debts. The appreciation of gold will be more completely checked or counteracted by this system than by the coinage of silver at the fixed ratio of 16 to 1.

Adopt the system that will enable you to offer to your opponents gold whenever wanted and you will succeed in benefiting silver and the mining industries more than by any other method. The Luttgen Monetary System provides practically for the free coinage of silver under the gold unit of our present dollar.

Several international conferences have been held for the purpose of remonetizing silver, but this is not an international question. If we have a coinage equivalent to its bullion value, and the ratio between the two metals regulated by their bullion value, we have a coin that will be acceptable throughout the world, and be more international than any fiat can make it.

It is with money as it is with our produce; a bushel of

wheat weighing sixty pounds will find favor throughout the world. Its quality makes it acceptable. In the same manner the quality of our silver dollar must make it acceptable to our creditors abroad. Any international scheme that England would enter into would be to the disadvantage of the United States, for it would be found to embody a certain responsibility to cover the fluctuations of our silver.

The experiment of the Latin Union was an absolute failure. When the time arrived when this Union should have proved its advantages, it absolutely failed.



TO THE GOLD MONOMETALLISTS.

This system will establish the gold standard on the most permanent basis. It will be supported by silver of intrinsic value, and will make it practical for the Government to issue its notes payable in gold or silver at the pleasure of the holder.

The outstanding Government bonds, by the bond transaction of February, 1895, have been declared to be payable in standard coin and not in gold. The consideration of \$16,174,770, which the Government granted, established this fact beyond all practical power of future legislation. The Government to-day would have the right to pay these bonds at maturity in silver, a right that cannot be contested, but it would not be good policy.

To avert such a danger, you will recognize the necessity of perfecting our bimetallic system of currency in a manner to enable the Government at all times to pay the silver dollar in gold. When the silver dollar is payable in gold, the question of the payment of the Government bonds does no longer exist. Further advantages of the concurrent circulation of both metals will be found in our relations with South American countries. We would aid them in arriving at a stable exchange without the use of gold in their monetary systems. The business with these countries will be of greater importance to the United States than the business of any other section of the world contested by the commercial nations of Europe, and by means of a monetary system that will offer a stability to the exchanges with these countries, they would make New York their bankers and create here a financial center of the world.

FROM THE "EVENING POST," FEBRUARY 26,
1891.

We have received from Mr. Frederick Wm. Luttgen of this city a plan for a "supplementary silver coinage." The plan has been copyrighted. He begins by showing that it is impossible for one nation, or even for an international conference, to maintain a fixed ratio of 1 to 16 between silver and gold, or any other ratio. "This is no more in their power," says Mr. Luttgen, "than it is in their power to regulate the weather." Here we agree with Mr. Luttgen perfectly, and we congratulate him on the felicity of his expression. He proposes that the coinage ratio be changed whenever necessary so as to correspond with the market ratio of the preceding twelve months. If, for example, the market ratio for the past twelve months has been 1 to 19, let the coinage ratio for the next year be 1 to 19. Then the Government should purchase silver bullion daily. The thing in Mr. Luttgen's plan that strikes us favorably is the proposition to make the coinage ratio correspond with the market ratio and to keep it there. The cost of recoinage would be a very small price to pay for deliverance from the dangers we are exposed to. It would be a very small price to pay for the privilege of getting back to honest ways and truth-telling in our monetary system.

PART II.

THE LUTTGEN MONETARY SYSTEM.

In presenting to the public a natural solution of the monetary errors of the past, the author fully realizes that this solution will meet at first with opposition from the gold monometallists who desire the appreciation of the metal by which their wealth is measured, and with the opposition of the banks who have been struggling to control the monetary system of the country.

The gold monometallists will find this system ultimately to their advantage, and the author has endeavored to remove the opposition on the part of the banks to an honest and stable money by affording them opportunities for profit without expense to the Government or the people.

The author does not ask these opponents for their judgment any more than the discoverer of steam power should have consulted the nurser of draft oxen, or the inventor of the electric light have asked an opinion from the manufacturer of tallow candles. The author, however, respectfully submits the system to the thinking public.

The system creates a method by means of which the concurrent circulation of gold and silver is effected. The system creates of these two metals one primary money upon a fixed gold unit standard, and enlarges the measure of value through an increased subsidiary money upon which credits are issued.

The system removes, as relating to commerce, all fluctuations between these two metals when used as money, and after being adopted by a single commercial nation will, within a short period, establish one universal standard throughout the world.

This system will forge itself forward; when once made known it will not stop until it encircles the earth; that which benefits mankind will continue to spread like Christianity. Limited as the present publication may be, it will

undoubtedly arouse limitless commentators, for volumes cannot describe the benefits of this system.

Nations have attempted for centuries to legislate against Nature in the use of the money metals, but the world is about ready to acknowledge its defeat and recognize the greater power of the laws of Nature. A few men, intelligent in ordinary affairs, still believe that a combination of nations can overthrow the laws of our Creator; however, time will also prove to them their hallucinations, and it is to be hoped that their opinions will not influence a further delay of the introduction of a system obedient to Nature.

A student of the money question, in his search for a true monetary system that would overcome all errors and shortcomings, undertakes a difficult task. He has not the ordinary encouragement that meets the inventor by whose single-handed efforts his invention is put into operation and perfected; but the student of this question, if his sacrifice of time has been rewarded by a complete solution, has to begin his work anew in combating selfish opposition. The solution of the world's money problem must meet every want in the present system, and must consist of one money only.

The system, as applied to the United States, introduces no new experiments, changes none of the laws heretofore enacted, but merely the mechanical execution of the same. It will turn our present imperfect system into the most perfect and safe monetary system of the world.

England has refused to join in a bimetallic agreement, but when this system is in full operation in this country, England will find herself compelled to adopt the same, and this without any solicitation on our part.

No bimetallic plan would be perfect that does not lead to one money. The Huskisson proposition, which was reported to have been favored by Mr. Wolcott, would create a separate money having nothing in common with the gold unit, and would not create a non-fluctuating reserve for credit money. A plan which has been proposed from time to time, and sometimes called the Windom plan, represents a wild scheme under which speculators could, at will, draw from the Government money that had been paid by the people in taxes. This system, however, overcomes all difficulties. It uses both metals, creates one money and

protects the Government from loss. No combination of capital could make an impression upon this system for speculative purposes under any condition whatever.

By the interference on the part of European rulers in the struggle between Greece and Turkey, they have checked the progress of Christianity, but these rulers, notwithstanding all their power, will be compelled to accept this system, and when once put in practice in the United States, their power will be insufficient to oppose it any more than they could stop the revolution of the earth on its axis.

All monetary plans heretofore proposed have been imperfect; as, for instance, Mr. Windom proposed to suspend the receipt or purchase of silver bullion when speculative combinations should give an arbitrary price to silver.

Not a single perfect system has been formulated. The various bills now before Congress and other propositions made public are all defective to such an extent as would endanger our monetary system at some period. The author, therefore, takes great pride in presenting a monetary plan perfect in every detail; a monetary plan which will not alone give us a stable money, but a plan which will bring all nations of the world upon a uniform standard.

It has frequently been stated by economists that its teachings, when in conflict with private gains, are repudiated. This does not apply to the monetary system, for a perfect system has not heretofore been proposed. A partial plan, although based upon correct theories, would represent only a makeshift and not worthy of adoption.

The author does not hesitate to predict that this plan (covering the entire field), if not accepted by the present Administration, will, however, become the party issue of 1900, and any candidate qualified to receive the nomination of one of the great parties will be overwhelmingly elected on a platform embodying this monetary plan.

The action of the banks to secure circulation is a bold game of bluff. Their argument is unsound; for instance, the statement that the issuing of notes represents banking, or that the reserve must be protected by manipulation of the interest rates. Referring to the Bank of England, we find the Issuing Department entirely separate from the Banking Department, and in no manner considered banking. We

find also that the Bank of England regulates its rate of discount to protect its reserve against deposits, and not against note issue. This is the common practice with every one of our bankers ; when their money runs low, they advance the rate of discount.

Under this system there will be no inconvertible money. The \$200,000,000 of uncovered Greenbacks will have an underlying bond bearing interest at 2.555 per cent., and the outstanding note issue against Government bonds will depend entirely upon the wishes of the public at large.

Theorists as well as parties interested in the National Banks have taken pleasure to denounce the Greenbacks as irredeemable money. This is on a par with other falsehoods relating to our existing currency. The Greenbacks are no more an irredeemable money than the notes of the Bank of England, which are also only partially secured by gold deposits.

The question of bank-note issue is one of even greater importance than the question of a fixed ratio for silver, which was before the public in 1896 ; whether this question was forced before the public by the moneyed interests of the East or by the silver advocates of the West remains in doubt.

This system may be compared with Columbus' discovery of America. When Columbus persistently sailed westward and finally discovered this continent, had any other navigator, with like perseverance, followed the same course, he would have discovered America, and no other continent. So it is with the solution of this monetary question. If any student of political economy had given the same perseverance to this study which the author has given the same, he would have discovered the same system, and no other. It is based strictly on the laws of Nature and fills every want.

The author undertook this task upon the basis that there is a solution to every problem which may present itself, and felt satisfied that the solution would be of more benefit to every individual being than any work heretofore of any one man.

For perspicuity the author presents this system in the form of a rough draft of a bill, and also for the purpose of providing for the necessary regulations to make this system operative.

A Bill for the regulation of the coinage of gold and silver in accordance with the Luttgen Monetary System (copyrighted) to create for the United States as a permanent policy a practical bimetallic money based upon the present gold unit of value standard, for the separation of the issuing department from the fiscal department of the Government, for the control of National Bank note circulation by the Government, for the authorization of an underlying bond for all outstanding circulation not covered by either gold or silver at cost, for the refunding of the National Debt, for the unification of the currency, for the issuing of circulating notes to the general public in exchange for United States bonds, for the purpose of securing to the people a stable money beyond control of manipulation, and the advantages accruing from the necessary issue of circulating promissory notes against deposits of bonds, for the purpose of recovering the losses on the silver now held by the Government, for the purpose of furthering our foreign commerce by offering a stable rate of exchange to all nations whether using gold or silver as money, for the purpose of authorizing the Secretary of the Treasury to issue "short time" provisional bonds for deficits of revenue, and for other purposes.*

Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, that the monetary or issue department of the Government be separated from its fiscal department, and that \$100,000,000 of the gold now in the Treasury be withdrawn from the general account and set aside as representing \$100,000,000 of Government outstanding circulating notes.†

SEC. 2. That it is the established policy of the United States to maintain both gold and silver as money of final redemption on the present gold unit of value of 25.8 grains of standard gold under the provisions of the Luttgen Monetary

* This bill would go very far towards alleviating the hardships of the producing or laboring classes. The manipulation of the monetary system and the growth of corporations is the cause of the presence of the all-pervading social question which, unless solved, will shake the very foundation of our Government. To surrender the control of our monetary system to the banks is equivalent to abandoning our rights of suffrage to a few men. The control of the monetary system would give greater power than any laws that Congress could enact, but this bill will render powerless any combination, however great, to control the monetary system in the slightest degree.

† By the act creating the \$100,000,000 reserve, the issue department was practically separated from the fiscal department, although this has not been done in form.

System, and that the Secretary of the Treasury prepare a treasury note, payable on demand at pleasure of holder, in gold of the present standard or in silver of the standard existing as provided for under said system, when such payment may be demanded. Such note to be of full legal tender quality as long as so redeemable by the Government, and said note to be of such form and of such denominations, not less than one dollar or more than one thousand dollars, as the Secretary of the Treasury may prescribe, governed by demand, and a sum sufficient to carry into effect the provisions of this Act is hereby appropriated out of any money in the Treasury not otherwise appropriated, and that said notes as soon as the same can be prepared shall be issued as follows:

First.—In exchange of all legal tender notes, silver certificates, gold certificates, currency certificates and treasury notes.

Second.—Against deposits of gold.

Third.—Against the purchases of silver as provided for in Sections 10, 11 and 12 of this bill.

Fourth.—Against the deposit of bonds by the public as provided for in Section 16 of this bill.

Fifth.—Against silver dollars circulating within the United States.

Sixth.—For subsidiary coin, and that when redeemed the same may be reissued as here provided for; but no greater amount of such notes shall be outstanding at any time than the par value of bonds deposited with the issue department of the Government, and gold coin and gold bullion and the silver at cost.*

SEC. 3. That all legal tender notes, gold certificates, silver certificates, currency certificates and treasury notes,

* This law would carry into practical effect beyond misconception the provision of the Laws of 1890, of "it being the established policy of the United States to maintain the two metals upon a parity with each other on the present legal ratio, or at such ratio as may be provided by law," and also the declared policy of the United States under the Law of 1893, to "insure the maintenance of the parity in value of the coins of the two metals, and the equal power of every dollar at all times in the markets and in the payments of debts.

The system will create one money in form, which nominally already exists under the Law of 1890, and relieve the banks of the care of maintaining this or that kind of money as a reserve, for the further provisions of this bill will enable the Government to pay out at all times whatever money may be preferred by its creditors.

when received by the Government, whether by its fiscal department or issue department, shall be cancelled by the issue department, and notes as provided for in Section 2 substituted therefor. That during the process of exchange of said notes, no distinction shall be made in any of the existing circulating notes of the Government, and that the same shall be considered to all intents and purposes as already exchanged for such new notes. That the legal tender notes, as provided for in Section 2, gold coin, silver coin and subsidiary coinage shall at all times be interchangeable at pleasure of holder.*

SEC. 4. That a bond be authorized to the extent of \$200,000,000, bearing interest at 2.555 per cent., payable in twenty years, and that a further amount be authorized to the extent of any Greenbacks that may be exchanged under Section 3, after \$300,000,000 of the outstanding Greenbacks have been exchanged as provided for, and that a further additional amount be authorized to the extent of the seigniorage on existing silver coinage which may have been covered into the treasury, and a further amount to cover seigniorage on all existing subsidiary coinage.†

SEC. 5. That the bonds provided for in Section 4 may be issued and exchanged at the pleasure of the public for any of the outstanding currency, whether Greenbacks, gold certificates, silver certificates, currency certificates, treasury notes, coin or the new legal tender treasury notes authorized in Section 2. These bonds to be so exchanged at par and accrued interests.‡

* This simply carries out the spirit of the Law of 1890, which has heretofore been ignored. No discriminations must be made in any of the circulation, and the Government must receive either in payment of duties, etc., and the issue department will at all times be ready to furnish gold when necessary *vs.* any money the fiscal department may receive.

† This bond was practically authorized under the Redemption Law of 1875. Under that law the holder of the Greenbacks has the privilege of demanding gold, necessitating the issue of bonds when so demanded. The proposition now is to execute these bonds and to hold them in the treasury of the issue department of the Government subject to exchange and re-exchange with the outstanding circulation.

The issue of bonds for the seigniorage covered into the Treasury is simply a common act of honesty and necessary for the purpose of increasing our primary or redemption money. The section is so drawn that no bonds shall be issued for any of the Greenbacks destroyed or lost.

‡ This will have the tendency of maintaining the rate of interest at not less than about $2\frac{1}{2}$ per cent. The extreme fluctuations of interest are no advantage to borrowers or lenders.

SEC. 6. That the Secretary of the Treasury be authorized in the case of any deficits in revenue in any one fiscal year to issue as of that year provisional bonds at not less than par, and bearing lowest rate of interest in accordance. These provisional bonds shall be issued in the case of deficits of revenue in the following manner: For the first \$5,000,000 in any fiscal year payable in two years; the second \$5,000,000 payable in three years; the third \$5,000,000 payable in four years; the fourth \$5,000,000 in five years; the fifth \$5,000,000 in two years; the sixth \$5,000,000 in three years; the seventh \$5,000,000 in four years; the eight \$5,000,000 in five years; the ninth \$5,000,000 in two years, and so on. These provisional bonds to bear interest coupons payable semi-annually, and shall be payable in gold of present standard or silver at the then existing standard, at option of holder, and shall be offered for competition to the public, and awarded to the highest bidders in amounts of \$100 or multiple thereof.*

SEC. 7. That the Treasurer of the United States shall classify as to costs the silver purchased under the Acts of 1878 and 1890, according to the prices equivalent to the different even unit ratios, and to hold such respective silver at the even unit ratio price next above cost, or at cost when purchased at an even unit ratio price, and to set aside in bullion the differences between cost and said even unit ratio price for a silver safety fund as provided for in Section 27 of this bill.†

SEC. 8. That all silver, whether purchased under the Acts of 1878, 1890, or under this act, shall be held at the even unit ratio price next above cost, and shall be so coined, if

* The policy should prevail not to issue long-time bonds for current expenses of the Government; any deficit should be provided for in from two to five years.

† Silver should be held at cost, the Government being always ready to deliver same at the even unit ratio next above cost, the difference between the even unit ratio and cost forming a Silver Safety Fund to provide for strengthening the gold reserve when threatened and below 7½ per cent. of total circulation; in estimating the total circulation, gold not in Government hands not to be taken into account. The Silver Safety Fund is more to give confidence, for under the operation of this system the gold reserve cannot fall to any such figure; gold is more likely to accumulate rapidly with the Government to the extent of upwards of \$400,000,000.

required, when the market value of silver is above the next lower even ratio price.*

SEC. 9. That the circumferences of all silver coins remain unchanged ; the thickness to represent variations in weight, and that all silver coins coined hereafter in accordance with this system are to bear in addition to the date or year the figure representing the ratio.†

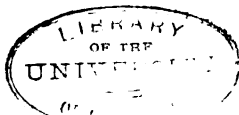
SEC. 10. That the Secretary of the Treasury be authorized to purchase daily (Sunday and holidays excepted) for delivery within fifteen days, from the lowest bidders, 180,000 ounces of silver, or so much thereof as may be offered at the market price thereof, and issue legal tender treasury notes therefor as provided in Section 2, commencing with the first day of each fiscal six months and continuing said purchases during the first one hundred and fifty days. This would provide for three hundred purchases during the fiscal year; provided, however, that the first purchase under this bill shall be made on the first secular day of the ensuing month.‡

SEC. 11. That these purchases of 180,000 ounces daily shall be authorized to be continued, without limitation as to market price, until such period after twelve months, when on the first day of any month it shall be found that the average price of silver purchased during the previous month shall be below the even unit ratio price next above the average price of silver for the entire previous twelve months. Then such even unit ratio price shall represent the standard, and the Secretary of the Treasury shall be authorized to coin silver at this ratio to the extent of silver on hand costing below this ratio valuation, if required, and

* The present silver at 16 to 1 will not require recoinage until silver advances above the cost of the respective silver held ; but as the Government holds much silver bullion, no recoinage will be necessary until silver shall again be worth over 90 cents per ounce, and may not even then be necessary to any extent, for silver may gradually advance under this system to 16 to 1 again, but whether it does this or not is entirely immaterial as far as the operation of this system is concerned.

† The weight of the silver dollar is only of importance as relating to a dollar of full value ; for convenience, the paper representation of both gold and silver will circulate.

‡ The purchase of silver in daily uniform quantities guarantees against manipulations of the market against the Government. This system is so safely guarded that not only can the price of silver not be manipulated against the Government interest, but the gold reserve and amount of circulation cannot be controlled by any combination however powerful.



to credit to the special fund in bullion the differences in value between any silver held at a lower ratio price.*

SEC. 12. That, a standard ratio having been determined as provided for in Section 11, future purchases of silver in quantities as provided for hereinafter shall be limited on an advancing market, not to exceed the ratio standard price until the average market price for silver for a period of twelve months, and the average market price for the last month of this period, shall exceed the standard valuation, when the standard of the silver dollar shall be changed to the next higher even ratio for silver than said average market price for twelve months.

On a declining market, should the average for twelve months and the average for the last month of the twelve months be below the next lower even ratio standard price, the even ratio next above the average for twelve months will be the standard, provided this ratio is above the average for the last month, otherwise the even ratio next above the average for the last month shall be the standard, and the purchasing limit reduced to the new standard.†

* The world's market price of silver will undoubtedly materially advance through the operations of this system; but let us suppose that such will not be the case. The price of silver during 1897 has been from 51½ to 65½ cents per ounce. Purchases made below 60.84 would be coined or held at 34 to 1, and so obtainable from the Government, either in coin or bullion, and when silver, due to its fluctuations, is selling above 60.84, it would be withdrawn from the Government for export or use in the arts and an outlet be created. Through the operations here explained silver may at times be exported to greater advantage than gold when we have balances to settle abroad, but it will have the further tendency of drawing gold from other countries. It is not only for the safety of our monetary system that we should make silver a money of final redemption, but it will give prosperity to our mining interests in the advanced price Europe will pay us for our silver. Through the non-adoption of this system prior to 1893 this country has lost at least \$100,000,000 in the price of silver since actually exported.

† Under this system silver cannot become demonetized when the standard silver dollar is valued above the gold dollar, for only a limited quantity could be withdrawn from the monetary system before the standard would be changed to the next higher ratio price for silver; nor could, in case of a decline of silver, gold become demonetized in practice, however great the quantity of silver in our monetary system may be, notwithstanding the declared gold standard, for the system provides in such case that the silver dollar be increased in weight to correspond with the market value of silver bullion.

A movable ratio is the principal feature of this system. This movable standard need not be represented by the even unit ratios, but may be based upon the multiple of any weight, as of 24 grains, viz., 480 grains, 504 grains, etc., or may be based upon a value standard of 5 per cent. variations, etc., but the even unit ratio is the most practicable. Other nations may adopt a change of standard at every one and a half ratios or two unit ratios apart, as their own needs may dictate; as, for instance, should gold reserve exceed 40 per cent., a difference of two unit ratios would increase the silver reserve. The mechanical execution of this system would vary according to the needs of the respective countries.

SEC. 13. That after the first standard may have been determined under this system, the future limit of the daily purchases shall represent 3 ounces per day for each one thousand inhabitants, provided that the purchases shall not exceed the production of silver within the United States during the last statistical year, nor shall they exceed, after the first year, the purchases of the previous year at any time by more than 50 per cent., provided that the quantity limit of purchase, otherwise than the limit by standard price, shall always be not less than 1 ounce per day for each one thousand inhabitants; fractions of tens of thousands per day, however, to be discarded.*

SEC. 14. That the National Bank act shall be so amended that further issues of National Bank note circulation under said act shall cease, and that this circulation shall only be withdrawn except at not exceeding \$4,500,000 per month at the option of the banks. That the bonds now on deposit to secure National Bank note circulation may be exchanged at the pleasure of the banks for any bonds of lesser market value; that is, bearing a lower rate of interest, or bearing the same rate of interest and a shorter time to run, and no other exchange shall be legal. That all bonds deposited under said act, against which no circulation has been issued, may be withdrawn.†

SEC. 15. That the National Banks may specially deposit United States bonds, including the Provisional Bonds authorized in Section 6 of this bill, with the Secretary of the Treasury, and receive therefor notes to the par value of the bonds. The interest on the bonds so deposited to cease until said notes have been redeemed, provided the total

* The late purchases of 4,500,000 ounces per month were equivalent to 3 ounces per day for each 1,000 inhabitants, estimating the population at 60,000,000. The present population of the United States is conservatively estimated to be above 67,000,000. Allowing on the above basis a purchase of 200,000 ounces per day, and with a population of 70,000,000, this system would allow of 63,000,000 ounces of silver being admitted annually into our monetary system, which, on the gold standard, would be equivalent to being admitted into the monetary system of the world.

† The creation of the National Bank circulation was a war measure. In recent years this circulation has cost the nation untold thousands of millions through the manipulation of our monetary system. The only excuse for continuing this circulation is that it exists, but there is no excuse whatever for allowing it to increase one single dollar. It is a great evil. Any future increase in circulation, whether of Government or banks, must be dependent upon the metal reserve in the hands of the issue department of the Government.

note issue, both of Government and National Banks under this act, exclusive of the notes heretofore issued under the general banking act, shall not exceed 40 per cent. of the outstanding circulation. The bonds so deposited shall be retained in the issue department of the Treasury for the redemption of said notes. This note not to be a legal tender, but to be receivable by the Government for taxes. A deposit to be made with the Secretary of the Treasury to cover the expenses of the note issue; said deposit, however, to be refunded to the banks when said expenses are fully covered by the surrendered interest of the bonds deposited. The Government tax against the present issue to remain unchanged, and to be covered into the Treasury, and a tax to be imposed upon all banks in proportion to their capital and surplus to cover the expenses of the department of the Comptroller of the Currency, and no more. Said notes to be payable in legal tender money, and the holder to have the option of either money the bank may hold. That said National Banks only shall be the depositories for public funds.*

SEC. 16. That when the note circulation secured by the Government bonds, exclusive of the present National Bank notes, shall not exceed 40 per cent. of the total circulation, the public may surrender to the Government any of its outstanding bonds or Provisional Bonds authorized under Section 6 of this bill, and receive therefor currency at their face value, and accrued interest, except in the case of bonds sold by the Government during the period of 1893 to 1896, which shall be exchanged when surrendered at the price received by the Government, less such portion of interest pertaining to the premium received by the Government as may have since been paid. That any bonds so sur-

*It will be in the interest of sound money if the existing National Bank note circulation were gradually and voluntarily withdrawn by the banks, say, not exceeding \$4,500,000 per month, unless exchanged for issue under Section 15 of this bill. For this purpose no change whatever should be made in the law relating to existing bank notes, except that further issues shall be prohibited and that all public money shall be deposited preferably in banks having taken out circulation under Section 15 of this bill, to the extent of 25 per cent. of their capital and surplus, or to the extent of the percentage the present National Bank note issue bears to the entire capital and surplus of the National Banks.

By Section 15, the National Banks are favored above the public in so far that they may recover the higher rate bonds when money becomes abundant and interest low, while the public can only receive a bond bearing not over 2.555 per cent. interest.

rendered otherwise than the 2.555% or Provisional bonds shall be cancelled, and a new bond issued therefor, as authorized in Section 14 of this bill, to the extent of currency issued and to be held as security, provided that the accrued interest is to be received from the fiscal department of the Government.*

SEC. 17. That all outstanding bonds of the United States, otherwise than the Provisional Bonds authorized in Section 6, may be exchanged by the fiscal department of the Government for a bond bearing 2.555 per cent. interest, payable at not exceeding 39 years at the discretion of the United States Treasurer. All bonds issued prior to 1893 to be exchanged at par and accrued interest; subsequent bond issues to be exchanged at the price obtained for same and accrued interest, less such portion of interest pertaining to the premium received as may have since been paid. In case the exact amount received for each individual bond should be unknown, the price for which they may be exchanged shall be the lowest price received for any of the same issue.†

SEC. 18. That at any time after twelve months from the period when the first standard for silver shall have been obtained under this system, should the outstanding note issue, authorized by this act, secured by the United States bonds, not exceed 30 per cent. of the entire circulation, the rate of interest on the underlying bonds then in the hands of the issue department of the Government, otherwise than

* This provision will give us a truly elastic money, a money following the national pulse and not affected by bank influence. Estimating the silver dollar coined or silver certificates issued under both the Laws of 1878 and 1890, inclusive of seigniorage, covered into the Treasury at \$600,000,000, and the gold, now in the hands of the Government, \$200,000,000, we have \$800,000,000 of coin practically in the issue department of the Government. This would admit of a note issue of \$530,000,000 in order to have a metal reserve of fully 60 per cent., and would produce a total possible currency of \$1,330,000, or a note issue above the metal reserve of \$530,000,000 as against the present note issue of \$246,000,000, and would admit of an increase of \$284,000,000. It is conservatively estimated that there is at present in the country \$550,000,000 of gold. This would admit of immediate heavy deposits with the Government, and correspondingly increase the limit of note circulation. Suppose the circulation should represent 40 per cent. secured by bonds and an expansion desired. By depositing \$30,000,000 of gold and \$20,000,000 of bonds; \$50,000,000 of legal tender money could be obtained. This bill is framed to have gold concentrate in the issue department of the Government.

† In refunding any bonded indebtedness the Government should be the gainer, for this Government is better able to fulfill its obligations than any Government on earth, and does not need the aid of the "reorganizer."

those specially deposited by the National Banks, shall be reduced to 2.19 per cent., and when such note issue shall equal but 20 per cent., the rate of interest to be reduced to 1.825 per cent.*

SEC. 19. That provided during leap years one day proportionate interest to be added for February 29th, to the rate of interest of any bonds issued under this act.†

SEC. 20. That any National Bank be authorized to deposit United States coined silver with a trust company in its own State, or with a clearing house in its own State; such trust company and such clearing house to be approved by the Treasurer of the United States. That said bank be authorized to issue circulation against said deposits to the full par value; said notes shall bear upon their face the statement that they are issued against deposits of United States silver coin, and that they are payable in legal tender money by the bank of issue, and by the depositary of the coin, and at such other centers within the United States that may be preferred, in order that there may be a place of redemption within 750 miles of any one point. The depositary, whether clearing house or trust company, to guarantee the payment. The notes may be issued in denominations of \$1 or multiple thereof, and shall not be legal tender or receivable by the Government, National Banks may issue such notes to the extent of 80 per cent. of their capital and surplus; 50 per cent. of the legal reserve may be represented by these notes or by deposits in reserve cities.‡

* Provides to give the Government the advantage of any lower interest rates.

† For the conveniences of exchange and re-exchange against circulation, at 2.555 per cent., a \$1,000 bond would bear \$.07 interest per day; a \$100 bond, \$.07 in ten days.

‡ This section does "something for the banks," and a circulation under Section 15 should be a condition. A bank may under this section secure silver, say, at 30 to 1, or 68.96 cents per ounce, without tying up any money, and may hold same until silver may advance to say perhaps 23 to 1, or 89.94 cents per ounce, and gain about 20 cents per ounce, without having one dollar invested; yet such gain will not be at the expense of the people nor undermine the monetary system. It would, however, create a demand for the newly coined silver, and cause the same to be stored otherwise than in the Government vaults. It will make every bank interested in the advance of silver. This bill should receive the active support of every honest banker. It provides:

First.—For a uniform money.

Second.—An underlying bond to guard against low interest rates.

Third.—Allows banks to recover high interest bonds deposited against circulation.

Fourth.—Gives banks the advantages of any advance in silver.

SEC. 21. That the Secretary of the Treasury be authorized to issue a legal tender note of the nature provided for in Section 2 of the denomination of 25 cents; said issue not to exceed at any time $\frac{1}{4}$ per cent. of the total circulation. The dimensions to represent a surface of from 70 to 80 per cent. of the present United States legal tender note.*

SEC. 22. That the interest of any bonds deposited for currency exceeding the amount set aside by this act as provided for in Section 4, shall be credited to the Silver Safety Fund.†

SEC. 23. That the subsidiary coins of denominations not less than $\frac{1}{10}$ of a dollar are to be coined at one even unit ratio higher for silver than the existing standard. That all coins of less denomination than $\frac{1}{10}$ of the dollar are to be coined of part silver in such proportion that their value may be the value of two ratios higher for silver than the existing standard. Sufficient alloy to be employed to retain their present dimensions.‡

SEC. 24. That all silver coined under this system when exported shall be in final settlement, and when re-imported shall be turned over to the Government to be converted into bullion.§

SEC. 25. That all silver coined under this system shall be .925 fine.

SEC. 26. That all creditors of corporations, whether National Banks or State Banks, and trust companies, transacting an interstate business and receiving deposits subject to drafts at sight, shall have the option of demanding payment in either money these corporations may have on

* This note is very much needed for mailing purposes, and will in a measure relieve the postal money order department; a department which has no right to exist under our Government, and the same applies to a postal savings bank system. Transfers of money otherwise than through the registered mail should be left to the banker, but for a double fee the registering department might guarantee contents to the extent of \$10.

† It may be expected that this bill will save the Government in the course of a couple of years fully \$10,000,000 per annum in interest on bonds.

‡ The light weight subsidiary coins are a temptation for fraudulent coinage; an approximating value would prevent this.

§ This is practically the case with gold when below "tolerance"; it is simply bullion. All United States silver coins should only be admitted from abroad as bullion.

¶ This is the fineness of commercial sterling and would facilitate the use of the coinage in the arts, where gold coin is so extensively used.

hand or on deposit for their account, provided this shall not include any coined silver.*

SEC. 27. That a Silver Safety Fund be created, to which fund shall be credited the seigniorage as provided for in Sections 7 and 11, and interest as provided in Section 22. The object of this fund is to lower the cost of silver or to increase in weight the standard silver dollar in case the gold reserve should be below $7\frac{1}{2}$ per cent. and that the Secretary of the Treasury shall be directed to pay out the interest money received by this fund against the regular purchases of silver, and to place the silver so paid for with the silver constituting this fund.†

SEC. 28. That at any time after 12 months from the resumption of silver purchases under this system should the gold reserve be less than $17\frac{1}{2}$ per cent. of total circulation, the silver standard to be changed in manner as provided in Section 12, on six months' average, and should the gold reserve fall below $12\frac{1}{2}$ per cent. to be so changed on a three months' average. Should the gold reserve decline below $7\frac{1}{2}$ per cent. the Silver Safety fund to be drawn upon to lower the silver standard to bring silver to full gold value.‡

SEC. 29. That all subsidiary money coined under this system shall be legal tender to the extent of 50 pieces of each denomination.§

SEC. 30. That the Secretary of the Treasury shall deposit in National Banks any money on hand received as revenue exceeding $2\frac{1}{2}$ per cent. of the entire circulation.||

SEC. 31. That the National Bank act shall be so amended that any bank after five years of its existence may establish

* This section to guard against the hoarding of gold by such corporations for the purpose of manipulating our money system. Under this section the Government can demand from banks any gold they may have on hand in exchange for their notes received by the Government in taxes.

† This Silver Safety Fund will provide the means for increasing the weight of the silver dollar to full gold value. When upon a decline in silver the gold reserve should fall below $7\frac{1}{2}$ per cent., an almost impossible situation under this system. When gold reserve should be $7\frac{1}{2}$ per cent., the silver reserve would be $52\frac{1}{2}$ per cent., the 60 per cent. reserve being always maintained.

‡ This section represents a cautionary measure to protect the gold reserve on the first evidence of gold being withdrawn, and will bring standard silver closer to the gold value.

§ Subsidiary coins now being of approximate full value, the legal tender quality may be conservatively advanced to 50 pieces each.

|| To avoid unnatural contraction of money the Treasury should at no time hold within its own vaults over $2\frac{1}{2}$ per cent. of circulation.

a branch bank or office for each \$500,000 of its capital and surplus in any city or town within the United States.*

SEC. 32. That in estimating the circulation for the issue of notes to the extent of 40 per cent. secured by United States bonds, all coined silver which may not have advanced in value beyond the value of the gold dollar shall be estimated whether in the hands of the Government, in circulation or deposited by banks against circulation as provided for in Section 20.†

A serious crisis is overhanging our institutions and social order. To preserve the nature of our Government, action can no longer be deferred. Since many years an insidious wrong has grown up in our midst through the management and organization of incorporations under the laws of the separate States constituting the Union. It may be said that the evil has been brought here from the monarchical countries of Europe, but has, through lack of vigilance on the part of our citizens, found a ready soil, and become more oppressive than in its native place.

Corporations are of two kinds: First, those that are intended to aid the individual in his calling, such as railroads, banks, insurance companies, etc.; second, those that enter into competition with the individual, such as industrial corporations, etc. The former should be restricted by law that they may not become oppressive; the latter have no reason to exist in this country, and are against the fundamental principles of our Government established to promote the general welfare.

Under the nursed prejudices engendered by the Civil War, corporations or combinations of capital largely repre-

* It is a great mistake to expect to give relief to sections by allowing branch banks to be established in villages, or allowing village banks to take out circulation. Money is not so created or distributed. Create a money that will inspire confidence under all circumstances. Allow branch banks to be established in larger centers and there will be no scarcity of money in any section within the United States.

† All silver not of full value must be considered as in the hands of the Government, for it will finally be presented for payment; but when the silver has advanced to a market value beyond that of the gold dollar, it should be ignored in the same manner as the gold coin not in the hands of the Government.

senting foreign owners have, step by step, increased their power, until to-day a condition exists far more serious to the welfare of the people than that which caused the War of Independence or the Civil War.

The monetary system which affects and controls the welfare of every individual more than any legislation has for many years been manipulated by speculative capital through the National Bank circulation, and panic after panic has been produced at will, causing privations and hardships throughout the land. Encouraged by success, an attempt is now being made to secure the whole circulation that the entire population may be made to pay tribute to a few whenever conditions or their ability to pay may warrant. Railroads have been wrecked for the purpose of reorganization and robbery, making their stocks upon which many of our citizens were dependent for their income valueless, and forcing their owners to seek a living in factories and elsewhere. This reckless dishonesty has forced many young girls and women from the congenial surroundings of their former homes to seek for the necessities of life.

A class of marauders under the cloak of bankers have infested this country for years, having obtained control of railroads to ruin them, and to issue watered and worthless securities, by means of which to draw the hard-earned savings from the producing classes.

Railroads whose circumstances and conditions would forbid their being reorganized are made the means of paying them tribute through refunding schemes, by which millions are taken from the people, and the people placed under bondage to them for generations. Not content that all people could be reached to pay them tribute through the railroads, the control of the street railroads of almost every town and village of the country has been secured, and excessive and worthless stock issued to catch under misrepresentation the earnings of the local producer.

Space is too limited to enter further into details, but the remedy is simple. Railroads should be managed by the general or common stockholders, and it should be made a felony for any officer to derive an income from any bonds or stocks of the railroad greater than the income of the common or general stock. As long as a road is not so

governed, the right of States to regulate maximum rates should not be contested. Railroads should be taxed for non-dividend paying stocks; the taxes to be borne by the holders of securities receiving interest or dividends, and all bonds should mature when combined interest paid equals principal, on the ground of public policy. These combinations have amassed such enormous capital, principally during the recent mugwump administration, that they even attempt to refund bonds of railroads having yet fifteen to twenty years to run.

Industrial corporations have been organized more as a pretense for flooding the nation with worthless stocks. As a remedy against this evil the entire capitalization of all industrial companies should be annually taxed to the extent of the ruling rate of interest the Government pays on its bonds, and severe restrictions imposed as to their management and absolute interdiction of further similar organizations.

Laboring men, do not fight your co-workers who may not be members of your union; respect their rights, but fight your enemy. You have the power in the ballot-box to drive the marauder who has overrun our fair country from your midst. At the ballot-box of 1900 you have the power to prevent the organization of another industrial company, you have the power to undo as to the future the wrongs committed by unprincipled men who have throttled this country, put a stop to the management of corporations by their creditors, refuse the use of the mails for the furtherance of the sale of all these fraudulent securities as they were refused to the lotteries.

Securities have been issued to represent accumulated losses, not bonuses, expenses for the purchase of the press; in fact, the very fees paid by them to their lawyers to keep them out of jail are capitalized and forced upon the public. The public pay to keep the very men who defraud them out of the clutches of the law.

Much good work can be done at the ballot box in 1898, but the final work will have to be done in 1900, and the new century inaugurated with honesty in business transactions. It is enough to make a lover of his country tremble with indignation to see these men, emboldened by success, openly declare that millions of securities are issued as bonuses to

the so-called syndicates. In the refunding schemes part of the fixed charges are funded by bonds that the market value of many rotten securities may be maintained or advanced to permit unloading upon the public. These combinations are the direct cause of all labor troubles and all existing distress.

The honest business man demands profits according to the value of his enterprise or the services rendered, but the modern reorganizer and promoter follows the practice of the Jew who demands his profits according to the ignorance or want of information or susceptibility to be misled on the part of his victim. These reorganizers are banded together like the brigands of old or the mafia of Italy, and a greater curse than these. Seventy millions of people have become their victims.

A great victory was won in the election of Greater New York, in so far as the election was carried against a press owned by corporations. All the wrongs that may have been committed by local politicians cannot equal the wrongs of a single railroad reorganization scheme. Would it not have been pertinent to have asked the candidates who were opposed to the successful candidate, whether they have had any interest in these reorganization combinations?

Contributions to further the object of this work, and subscriptions to this publication, may be addressed to F. W. Luttgen, 27 William street, New York City.

PART III.

The following pages represent previous publications of the author and some letters received by him relating thereto; also, sundry letters of the author addressed to men prominent in public affairs.

Pamphlets, copyrighted 1891, 1892, 1893.

IN THE "EVENING POST," JANUARY 14, 1891.

The effect of free silver coinage would be the virtual throwing upon the market of \$300,000,000 of silver now held by the United States Treasury.

This enormous quantity of silver, under the present laws, has been effectually locked up and kept out of the market, being held by the Government, with its currency on a gold standard at \$1.2929 per ounce; while as recently as November 19, 1890, the ounce of silver sold at 96 $\frac{1}{4}$ in the open market.

Free coinage on a basis of \$1.2929 per ounce will necessarily put gold at a premium, and this, with silver at 96 $\frac{1}{4}$, would be 33 $\frac{1}{4}$ per cent.

Gold being at a premium of, say, 33 per cent., Europe could obtain from our Government its silver at about 96 cents per ounce, through the presentation of silver certificates, legal tenders or National Bank notes, of which about \$900,000,000 are outstanding.

Much of this silver has been bought by the Government during speculative excitement as high as \$1.20 per ounce. With this practically unlimited supply of silver suddenly put within the reach of the markets of the world, an estimated decline to 86 cents per ounce would not be unreasonable, and this would be equal to 50 per cent. premium on gold.

A delay of one year would aggravate the evil, as the stock of silver would be yet greater. The purchase of

about 4,500,000 ounces per month cannot advance the price to \$1.29, considering present production, but will keep the price at an artificial height.

PAMPHLET.—“The True System of a Supplementary Silver Coinage,” by Fred’k Wm. Luttgen, February 10, 1891.

In introducing this system the author would state that, prompted by a desire to be able to contribute to avert the overhanging disaster to those who are dependent upon their savings, limited incomes, or upon their wages, he has devoted much time and thought to discover a system, automatic in its operation, upon which the advocates of silver and the conservative believer in a gold standard could unite, and which in its essential parts might gradually meet with the approval of, and be adopted by, the nations of the world.

The free coinage of silver, whether upon the ratios of 16 to 1, or upon any other conventional ratios, will effect a change of the standard of value and disturb all commercial nations.

Many believe in the “phantom” of an “international conference,” but it is no more in the power of the united action of the principal nations to establish a permanent ratio of silver to gold than it is in their power to regulate the weather. The true ratio is established by natural laws, and these are a safeguard against frequent fluctuations.

Free coinage of two metals is an impossibility; either one or the other would soon fall into disuse.

A metal acting as a circulating medium or standard of values must be in its movements as free as the air, not hampered by import duties, discriminations or restrictions of any kind whatever, by any nation or government.

The price of silver depends largely upon the free circulation of gold. The hoarding of gold must necessarily lower the price of silver, whether under free coinage or not, and our present system is, therefore, not to the advantage of silver; nor does the Government’s accumulation of silver, which, through its fictitious valuation is inactive or dead, aid the price of silver to the extent it would as an active circulating medium, for that silver is lost to

commerce, and gold will have to supply its place in our exports whether by exports or non-imports. It has been my endeavor to devise a system under which, as under free coinage, the silver would flow, as gold supplementary to gold, in and out of the United States Treasury, in and out of the country, obedient to the laws of commerce. It has also been my object to obviate the extreme speculative fluctuations.

This system would give silver every advantage and enhance its value, and, by relieving gold, lower the price of gold, and be a guarantee that the gold standard would not again be assailed.

I now submit the following :

That the standard of the silver dollar be changed, and of the ratio next higher for silver than the average daily market price for the previous twelve months, provided this ratio is not below the average price for the last month of the twelve months.

That 180,000 ounces of silver bullion be purchased daily, Sundays and holidays excepted, or so much thereof as may be offered at the price not exceeding the standard then existing.

That should silver decline in price to an average for twelve months below the next lower ratio for silver, the standard to be changed to that ratio.*

That in the case of the gold reserve in the United States Treasury falling below $7\frac{1}{2}$ per cent. of the total paper circulation, the standard silver dollar to be increased in weight to the next ratio and the purchasing limit of silver correspondingly reduced ; this to check the outflow of gold.

That all silver of previous standards is to be exchanged on demand for existing standard.

That no silver coins whatever are to be purchased ; mutilated United States coin to be exchanged at relative value.

That all silver dollars coined hereafter in accordance with this system are to bear, in addition to the date or year, the figure representing the ratio.

*Had this system been adopted by the United States prior to 1893, the series of panics which have occurred since then would not have taken place, and the nation would have avoided losses aggregating probably over 1,000,000,000 of dollars. We have also, as here predicted, since experienced the hoarding of gold and consequent decline in silver.

IN THE "COMMERCIAL ADVERTISER," MAY 5,
1892.

As the principal nations of the world are on the gold standard, silver at present the world over is only in the position of a subsidiary coin, for no balances between nations can be liquidated with silver, except at its bullion value in gold. Bimetallism in its true sense does not therefore exist, nor has it ever existed. Nations for their own domestic exchanges and convenience issue "promise to pay gold" on silver, the same as on paper.

Many who recognize the danger of our present position are deluded by the proposed International Convention into inactivity.

That the gold standard will sooner or later prevail throughout the world there can be no doubt, and it is equally certain, that on account of the scarcity of gold, silver will have to be employed to effect this general gold standard. Let us, then, treat this question with less prejudice and arrive at a solution for all time. Let us be the leader among nations and place our financial system beyond all danger. To accomplish this, silver must find its own ratio. No arbitrary ratio, whether established by one nation or by a convention of nations, can aid silver.

The friends of silver must discard from their minds all preference for the ratio of 16 to 1. This would be the first step toward a solution. The greater employment of silver will no doubt enhance its value, but this must be left to natural laws.

PAMPHLET.—The Luttgen Monetary System. Bimetallism or Supplementary Silver Coinage. May 10, 1892.

It is probably due to prejudice on the part of the silver advocates, as well as of the gold monometallists, that the problem of bimetallism has not yet been solved. The varying relation of silver to gold has not only disturbed our finances since the existence of our Government, but has disturbed the finances of the world for even a greater period.

Our present system is termed by the New York Chamber of Commerce "a standing menace." By the press it is called "the blight of our commerce," etc. Yet no solution is offered.

Should the United States absolutely cease to purchase silver, silver may fall to such an extent as to produce financial disturbances here and abroad, but under this system, when the Government shall cease to buy, it would be because silver can be sold elsewhere at an advancing price.

Every human being, however humble, consumes some product of foreign lands. A uniform metal standard would, therefore, lessen the cost of the necessities of life for all humanity. Feeling that the gratitude of the human race would, therefore, be due to him who would forever solve this problem, I have devoted much time and study to the subject, and submit to the public the result of my labors, which I have no doubt will, when carefully studied, meet with the approval of all, and bring all nations one by one upon one standard.

The first and necessary object was to avoid any radical changes from our present system, but to so guide it as to lead us to a safe and permanent basis.

Gold is the standard of the leading nations of the world, the silver employed by such nations acting as a token-money only, sustained by government credit. In France, for instance, silver is a cause of constant solicitation. The employment of silver is necessary to bring all nations upon the gold basis. According to natural laws, the relative value between gold and silver will always be subject to changes, whether of greater or lesser degree. A changeable silver standard that would follow these fluctuations would be impracticable, as a fixed standard would be dangerous to any financial system based upon it. A middle course based upon natural laws beyond the control of any individual or nation was by these circumstances pointed out to me as necessary for a system all nations could approve of and adopt when their own affairs might suggest, and furthermore which a single nation could adopt with absolute safety and great benefit to its monetary system.

The Luttgen Monetary System, as already announced in my publication of February, 1891, is based upon a restricted movable ratio or standard for silver, restricted to meet only the permanent relative changes of value between silver and gold, yet having a bullion value in the silver dollar at all times within about 5 per cent. of the average value for the previous twelve months.

The silver dollar is to be at all times of an even unit ratio with gold. All fractional ratios to be ignored.

As the whole Luttgen Monetary System is based upon natural laws, the first standard would be established by natural laws. Should silver advance, as it is believed it would after the adoption of this permanent policy, this first standard may not be established for considerably upwards of twelve months, and, if this monetary policy is adopted by other nations, the first standard may approach our present standard of 16 to 1. Silver will find its own level under this policy.

The stability of standard is secured as follows :

First, by the average market price of twelve months ; next, by the relation of this average price to the even ratio value between silver and gold. Should, for instance, with the fluctuations of, perhaps, 20 cents, say from $93\frac{1}{4}$ cents per ounce to $\$1.13\frac{1}{4}$ per ounce, the average price be $\$1.03\frac{1}{4}$ for twelve months and the average price for the succeeding twelve months be $\$1.08\frac{1}{4}$, the standard of 19 to 1 would be the legal standard for both periods under this system, and whenever the fluctuations should bring the price of silver above $\$1.0888$, silver would be demanded from the Government and exported in place of gold. The purchases having at all times been made below the standard, the Government would profit by paying out silver at standard.

This system will steady the purchasing power of both gold and silver ; and the two metals, being practically blended, an increase in the supply of either metal will have little effect upon the purchasing power of both metals, thus interwoven into one measure of value.

To illustrate the system I will suggest the few changes that would be necessary in our present laws. The Act of July 14, 1890, provides that the Government maintain the two metals on a parity with each other upon "such ratios as may be provided by law."

Let Congress amend the law of 1890, making it compulsory upon the Secretary of the Treasury to purchase thereafter 180,000 ounces of silver daily, and that after the expiration of twelve months or on the first day of any month thereafter, should the average price for the previous twelve months be greater than the average price for the last month of the twelve months, the even ratio next higher

for silver than said average price is to be the legal ratio for silver. The object is to allow any variation in consequence of this new policy to run its course before fixing the first ratio. If the average price for the last of the twelve months is greater than the average price for the twelve months, no new standard for silver is to be fixed until the case is reversed. Should the average price in accordance with the above, for example, be found to be 104 the ratio would be 19 to 1, and a Government limit put upon further purchases of silver at \$1.0888 per ounce.

The new standard obtained, the Government is to offer to purchase, at market value not exceeding standard value, no more than 200,000 ounces any one day, and all future purchases of silver to be in like manner governed by standard price, and the quantity purchased any one day is not to exceed in ounces the one three-hundredth part of the number representing the population of the United States. Fractional parts of ten thousand to be discarded.

REGULATION FOR THE ADOPTION OF A HIGHER RATIO FOR SILVER TO MEET A HIGHER SILVER VALUATION.

Should the average daily market price for silver for a period of twelve months and the average price of the last month of this period exceed the standard valuation, the standard of the silver dollar is to be changed and to be of the next higher even ratio for silver.

REGULATION FOR THE ADOPTION OF A LOWER RATIO FOR SILVER TO MEET A LOWER SILVER VALUATION.

Should the average daily market price for silver for a period of twelve months and the average price for the last month of this period be below the next lower even ratio valuation, the standard of the silver dollar to be changed and to be of the next higher even ratio for silver than this average price.

The Government purchases to be at all times made public, and at the close of every month the average price paid to be announced. Should at the close of any month the average for the month, as well as for the entire previous twelve months, pass the next lower or existing even ratio standard, the standard to be accordingly changed.

Should the average price for the last month not equal the average variation for the last twelve months, it would

indicate a turn of the market value, and the standard is not to be changed.

In case the gold reserve in the United States Treasury should fall below $7\frac{1}{2}$ per cent. of the total paper circulation, the standard silver dollar is to be increased in weight to the next ratio, and the purchasing limit for silver correspondingly reduced. This to check the outflow of gold.

That on the adoption of any new standard under this system silver is to be coined into the new standard, the bullion is to be used first, then the coin of any ratio farthest removed from the new standard.

That all silver of previous standards is to be exchanged on demand for the existing standard.

That for importations of United States coin the Government is to deliver in exchange the same weight in bullion against a charge of expenses to the importer.

That no silver coins whatever are to be purchased. Mutilated United States coin to be exchanged at relative value.

That all silver dollars coined hereafter in accordance with this system are to bear, in addition to the date or year, the figure representing the ratio.

The Government purchases being at all times made below the standard value, should the market price of silver advance beyond this standard value and the Government be called upon for silver for export purposes, a profit would be obtained from such silver.

All silver bullion and coin of other nations, as bullion, to be free of all import or export duties or taxes whatever.

Other nations in adopting this system would be guided by the market price of silver, either in New York or London, and thus the monetary system of the world would be a unit.

Silver under this new policy having found its level, it is expected that under this restricted system the fluctuations of silver may not necessitate a change of standard for a period of twenty years or more. The fluctuations in the price of silver from the year 1830 to 1870, a period of forty years, would under this system have necessitated no change of standard.

As other nations enter upon this monetary system, the purchasing limit may be reduced by cost of coinage, but

the demand for silver must necessarily increase, and offerings to this Government be less than the limit of 180,000 ounces per day, and an advance in silver to the present standard value of 16 to 1 is not impossible under this policy, considering that many nations are in need of an increased metal reserve, based on the gold standard, for their present circulation.

The increased use of silver this system would demand as nation after nation would adopt it would far exceed the demand for silver if the world outside of the principal European commercial nations were on a silver basis, and had free silver coinage.

This system will forever settle the silver question, and enable nations now on a silver or currency basis to adopt the gold standard.

This system will permit the unification of our existing currency into a treasury note issue, payable in gold or silver, at the pleasure of the holder.

Free coinage of one metal only is possible, and this must always be gold, but the Luttgen Monetary System gives to silver the advantage gold possesses, which free coinage of silver would fail to accomplish.

It is beyond the power of the united action of the principal nations to establish a permanent ratio of silver to gold.*

The following was published in November, 1892, during the session of the Brussels Conference :

“The disposition of the European governments to buy silver could be so directed as to lead to an absolute and permanent solution of the silver problem. To purchase silver, with the object of merely taking the surplus stock out of the market, and so advance the price to 43 pence, a ratio of about 22 to 1, and restore the rupee to 16 pence, and leave such silver purchased inactive or dead in the vaults of the respective governments, would again put silver on a false basis, and only delay the disaster now threatening the financial world.

*The repeal of the Sherman Purchasing Act in 1893 has been like one of those national follies which will at times take possession of a people. In consequence of this repeal, the monetary system of the country has been manipulated by reckless schemers, and a modern feudal system has been inaugurated through such manipulation of the currency from which no one has escaped without paying tribute. The financial disturbances herein predicted we have felt in the most intense degree.

In purchasing silver, the object should be less to advance the price than to steady the price. It should be the object to avoid fluctuations, therefore such purchases should be made in uniform daily quantities. The United States is to-day practically buying 600 ounces of silver per annum for each 700 of population. Should the European nations now represented in the Monetary Conference agree to purchase 600 ounces per annum for each 3,500 of population, and not only until the price reaches 43 pence per ounce, but upon the following basis, the silver question would be solved. This basis would make the purchased silver active, and not dead—a metal qualified to settle balances between nations finally, not (as proposed in the plan of Mr. C. F. Teitjen) simply between individuals, through throwing the burden of final settlements upon the governments.

The governments purchasing silver to issue legal-tender currency certificates for the amounts so purchased, payable in gold or silver at the then existing standard, at pleasure of holder. The purchases of the different governments, including the Government of the United States, are to be limited in price to the price representing the even unit ratio to gold next higher than the average price for the previous twelve months, this even unit ratio to be the standard. At this even unit ratio the respective governments to pay out silver on demand. This may be in bullion and not interfere with existing coinages. The Government when called upon for silver will have previously purchased this silver at less price, whether on a declining or advancing market, and would derive a revenue therefrom. Whenever, due to fluctuations, silver should decline below this even unit ratio, purchases would be resumed. Should the average advance to above this even unit value, the next higher even unit standard for silver would be adopted, and the governments resume purchases and hold their silver at such higher even ratio standard price. Should the average price for twelve months decline to below the next even ratio standard, the standard to be reduced to such even ratio next higher for silver than this average. In the course of time it may be found convenient to coin silver in accordance with these ratios, even if for foreign settlements only; yet also for home consumption in the industrial arts, silver having overcome the present violent fluctuations. Silver under this

system would strengthen the gold reserve. Whether silver rises or falls, this system is always operative. All silver coins imported into the countries where coined to be delivered to the Government as and in exchange for bullion.

A further objection to Mr. Teitjen's plan is that the government whose coin is exported would stand the loss in case of a decline in silver without receiving the benefit in case of any advance.

PAMPHLET.—Silver Purchases Not a Menace to the Gold Standard. May 15, 1893.

The present time is not exempt from prejudices similar to those that have, at various periods, swept over the older nations of Europe. These outbursts have invariably been the forerunners of reform, and history will record the present prejudices against the purchase of silver as an obstacle in the march of progress.

No practical question has ever been before the world of greater importance than the monetary question of to-day.

It is unnecessary to name here, for the public need only refer to the papers, the wild and absurd schemes with which the press has afflicted its readers, schemes involving every class of complication and always a "Commission" whether local, national or international.

We have been told by one side that that which has been tried and failed is a success and need only be reinstated to solve the problem, but the fallacy of the fixed ratio of the Latin Union was proved by its failure; on the other hand we are told that it is not the laws of demand, but an error of judgment that has caused nations to employ silver in their monetary systems, yet no nation limits its coinage to gold alone; but sufficient of this. It is a solution we need, and not the recounting of the errors of the past.

Circumstances have practically centered the necessity for the solution of the monetary question of the world in the United States. A solution that is applicable to our situation here would thus solve this problem for the world.

No sound financial system is practicable, except upon an absolute gold standard.

No gold standard can be maintained without the aid of silver, and silver should only enter into practical use as a

money metal through purchases by the different governments.

The only feature in the Sherman Act entirely consistent with an absolute gold standard is the purchasing of silver.

A metal to be a proper measure of values must not be restricted in its movements, and must not be dependent upon any international agreement whatever.

The coining of money to be no burden upon the Government beyond the mint charges.

Unless the monetary system is obedient to natural laws and admits of being adopted by this or any other government alone and without endangering the gold standard, it will not be a solution of the problem.

The plan must not involve risks or doubts, but will necessarily sweep away existing prejudices.

No change in our laws can take place until Congress meets. Any possible low Treasury surplus or deficiency has no bearing on the currency question and must be considered separately.

During the period until Congress shall meet, each and every one of the five classes of notes, as well as the silver coin now outstanding, should be paid in gold when payment is demanded; for this purpose the \$100,000,000 of gold reserve should be fearlessly exchanged for paper; when this amount has been reduced to about \$50,000,000, the other \$50,000,000 being represented by a deposit of notes now outstanding, it will be time enough to replenish the gold by the selling of bonds; but such a condition is not likely to occur, for the Government holds a second \$100,000,000 in gold, represented by gold certificates; 75 per cent. of this can previously be safely exchanged for any of the outstanding currency.

The credit of the Government is undoubted. Nobody doubts the intention and ability of the Government to carry out explicit contracts whether 100 per cent. or 25 per cent. of reserve on these deposits is kept on hand. It is therefore absurd to hold 100 per cent. of these special deposits on hand while the national banks are required to hold but 25 per cent. reserve of their deposits; the Government would, therefore, have \$125,000,000 of gold now on hand which can be safely exchanged for outstanding paper before any measure to replenish gold will become

necessary; but this should not be done by the selling of bonds, but by bringing silver up to the gold standard.

PAMPHLET.—The Luttgen Monetary System. July 12, 1893.

Its object to strengthen and extend the Gold Standard throughout the world with Silver as a supplementary International Monetary Metal.

Silver purchases under this system not a menace to the Gold Standard.

The author begs to present to the public the result of many years of study at the expense of valuable time and money, a simple and natural remedy for our present financial troubles and for avoiding in future the monetary disturbances that the varying relations between gold and silver have cost the world for centuries back.

The author in this treatise will carefully avoid all statistics of which the public has already a confusing abundance, but will apply the system to our present position in the United States in a plain, practical business-like manner and in the form of suggesting the required legislation.

The two metals are to-day as essential for the world's money as they have been in the past, which their use then demonstrated. These two metals, however, have never been placed in the right relation to each other; experiments of every nature by nations singly and jointly have been tried without success, for the simple reason that Nature's laws were ignored.

The Luttgen Monetary System, therefore, does not restore these metals to any former condition, but creates a new harmonious relation that has never before existed. It attempts no radical changes, but directs the present practices to perfection. To accomplish such great results, the system employs new but simple methods never advanced before to perfect the money system of the world for all time to come.

Bimetallism is a term frequently used, but misapplied and not understood, for bimetallism has only been attempted; it has never existed in practice. It is established by following laws of Nature and not by an arbitrary ratio.

The currency of the world is bimetallic. Nature establishes the ratio between the gold standard of one country and the silver standard of another, but the fluctuations between these standards cause an unnecessary high cost for foreign necessities of life. This system will overcome this, for by its means a gold standard will be introduced throughout the world creating a uniform standard and restoring both metals to more equal and general monetary use.

I would suggest the following definition for bimetallism or double standard: "Silver as money so adjusted to the gold standard that its intrinsic value will permit ultimate settlements between nations thereby," or "an inferior money metal, adjusted as above to the superior money metal."

This system introduces an improvement, the advantage of which to the world cannot be overestimated.

The world's monetary standard is gold aided by silver.

Free silver coinage is antagonistic to the world's standard. A fixed ratio is a sham, but to stop the purchase of silver would be to upset the world's standard with evil results beyond the present conception of any one, for, by faith, silver on its false basis of the past yet supplies half the money of the world. The stock of gold in the world is only about \$2.50 *per capita*, and the commercial world is increasing rapidly and may soon cover the entire population.

It would indeed be a bold financier who would advocate by repealing the silver purchase law to abandon silver; his life as a financier would be cut short.

The battle-cry of prejudice to-day is "stop the purchasing of silver." Last year it was, "The silver question must be settled by international agreement," and then public and prominent men were as anxious to put themselves on record on the side of prejudice as they are now.

That our financial policy is defective there can be no doubt. It has been used by speculators to create distrust when no danger existed, but this is no defence; a system that will admit of being used thus is wrong. While there is no danger imminent, the system would finally lead to disaster and must be changed.

Blind prejudice has attacked the only feature in the Sherman act entirely consistent with the gold standard:

"The purchasing of silver by the Government." It is not the purchasing of this silver at the present low figure nor the limited increase of currency that presents the danger; for, under the present circumstances, the purchasing of silver would rather improve the situation, for every intelligent mind must understand that the ratio of 16 to 1 cannot be maintained. Where, then, is the danger? It is not that the credit of the Government has suffered, for its 4 per cent. bonds are selling at about 110, with money worth fully $7\frac{1}{2}$ per cent. This expresses faith in the intention and ability of the Government to carry out its explicit contracts. What, then, are its contracts as regards the currency circulation? By the act of 1890, the Government gave the pledge to maintain the parity of gold and silver, and practically, if necessary, to establish by law such ratio as would effect this; but the Government has cast doubt on its own intention by continuing to reissue gold certificates. If every note is payable in gold, for what purpose these special certificates? The Government is basing its currency on gold, and then issues gold certificates to prevent the gold in the country from acting as a reserve for such currency and to facilitate private hoarding of gold. This situation is aggravated by reissuing the silver certificates. In 1887 a law was proposed substituting coin certificates for gold and silver certificates. It is to be regretted that that law was not enacted in 1890 to confirm the Government's intentions as expressed in the Sherman law. With faith in the intention and ability on the part of the Government to pay all notes in gold, the several issues become in practice equivalent to the gold certificates, and if one uniform treasury issue now existed, the \$200,000,000 in gold now in the Treasury would be a satisfactory reserve for the entire issue; there would be no cause yet to create alarm. The gold certificates constitute part of the currency of the country.

The gold certificates, therefore, deprive the currency of a part of its proper reserve, and to hold the purchased silver above its value deprives the currency of a further reserve to which it is justly entitled. These are, then, the faults in our money system and not "the purchasing of silver."

It is nothing less than a great wrong on the part of the Government to deprive the nation of the product of labor

in a great industry by holding 500,000,000 ounces of silver above the market value. While so held it is equivalent to being destroyed, and it will not recover any value until it becomes accessible at the market rate. The depreciation and losses in the present panic are estimated at \$1,500,000,000. A portion of this loss, and an amount at least fully equal to the amount of silver in the hands of the Government, could have been avoided under all circumstances if this silver had been held as a currency reserve at the market value. Any efforts to destroy the confidence in the currency would then have failed.

Are the mine owners of the West willing that the Government should pay them \$500,000,000 for idle labor in charity, without giving the Government an equivalent? This is the position they place themselves in by destroying the product of their labor in compelling the Government to hold this product above its market value. Why should the nation pay them for that which has no value? It is not only the loss of this commodity, or an idle expenditure of labor to the amount of \$500,000,000, but this worthless silver—worthless through being held above its market value—has been put into a position of semblance of money at one and a half times its value, thereby creating distrust and affecting the value of every commodity in the land.

The writer has the highest confidence in the honor of the people of the United States, without exception, and believes that, having received a practical illustration (an object-lesson) that the silver in the Treasury is worse than worthless, held at its present standard, measures will at once be taken to restore it to the market and give it value again.

This system could at once be put into full operation, confidence restored, the gold standard firmly and absolutely established, and silver purchases continued at the uniform daily quota of 180,000 ounces.

Congress appropriated \$80,000 for the expenses of the Monetary Conference. If this sum had been offered as a premium for a solution to our situation, this panic would never have taken place. The question would have been solved before the expiration of the Fifty-second Congress.

The Government must not suffer loss in restoring this silver to activity. The greatest conservatism must be

exercised in every action on the part of the Government affecting the monetary system, for the entire wealth of the nation is affected thereby.

The impossibility of the two metals being used independently of each other being recognized, and to establish a firm and absolute gold standard, all idea of a fixed weight for the silver coin must be abandoned as entirely inconsistent, not only with the gold standard, but with the liberal employment of silver, and in this lies the solution of the world's monetary trouble.

The two half silver dollars in your pocket do not weigh as much as the whole silver dollar, yet this does not agitate you, for the Government will redeem them alike. In the same manner you should not care whether two whole dollars, or two pieces of any other silver coin, are of equal weight, for the Government will give gold for them at all times.

The author has had the following difficult problem to solve: First, to strengthen the gold standard. Second, to ensure a liberal employment of silver. Third, to bring the large stock of silver the Government holds at a high cost, practically, to the market value, without the loss to the Government. Fourth, to strengthen and increase the gold reserve, not through the selling of bonds, but by means of the silver on hand, and by a safety fund established for that purpose. Fifth, to create a means of outflow of the silver from the Treasury without the loss to the Government, and by means of not only the standard silver dollar, but by the subsidiary coinage as well. Sixth, to create a system accomplishing these facts automatic in its operation, and applicable to all future times and conditions. Seventh, to encourage the holding of silver by banks and the public.

The solution offered for a problem of such gravity will require careful study, and, upon acquaintance, the simplicity of the system will be discovered.

With these remarks I will now proceed to suggest the necessary legislation.

LEGISLATION SUGGESTED.—THE UNIFICATION OF THE CURRENCY.

The outstanding paper circulation of the United States is, in round figures, \$1,100,000,000, represented as follows :

Gold certificates.....		\$100,000,000
Silver certificates.....	\$325,000,000	
Treasury notes.....	150,000,000	475,000,000
United States legal tender notes.....	\$350,000,000	
National Bank notes.....	175,000,000	525,000,000
Total		\$1,100,000,000

Against which the Treasury holds about \$200,000,000 in gold, or equal 18 per cent. reserve, with fluctuations varying this reserve 1 or 2 per cent. Omitting National Bank notes, the Treasury would hold to-day a reserve of over 20 per cent. in gold.

That Congress enact a law to exchange a legal tender United States note, payable in gold or silver, at option of holder, for all outstanding Government certificates, notes, gold coin and silver coin, when presented for exchange.

And further, for the better carrying out of the provisions of Act of July 14, 1890, to maintain gold and silver on a parity, and for such purpose to regulate the ratio of the standard silver dollar, and for the purpose of maintaining a proper gold reserve to protect the fixed gold standard of value of the United States.

Let it be enacted that the ratio of the standard silver dollar be determined by the cost of the bullion, but to be always of an even unit ratio with gold, and to be further regulated in accordance with this system, and that it shall be the duty of the Secretary of the Treasury to restore all silver on hand, whether coined or bullion, to its original purchase cost price by recovering from the Treasury such gross seigniorage, or so-called gross profit, on the coinage of silver since the Act of 1878 as may have been appropriated for other purposes.

If the revenue receipts do not admit of this restoration, the Secretary of the Treasury to be authorized to set aside bonds to the amount necessary for this object; the Secretary to be also directed to classify the silver as to cost, for every even unit ratio price and charging the silver such full even unit ratio prices, and the difference between these ratio prices and any lower cost to be credited to a Silver Safety Fund account. The object of this Silver Safety Fund is to have the means at hand to protect the gold reserve in case of extreme necessity.

The silver dollar outstanding, but not exported, of whatever weight, shall at all times be full legal tender to any amount, and may be exchanged at option of holder at any United States Subtreasury for any United States monetary issue, whether gold, legal tender notes, or silver of current standard, or subsidiary coin, and all such issues to be at all times interchangeable at option of holder.

For the purpose of illustration, the Government holds, coined or in bullion, silver to the amount of \$475,000,000. Of this say—

\$25,000,000	costing, not exceeding the ratio of.	.25	or	82.74	per oz
50,000,000	"	"	"	.24	or 86.19
75,000,000	"	"	"	.23	or 89.94
75,000,000	"	"	"	.22	or 94.03
50,000,000	"	"	"	.21	or 98.43
50,000,000	"	"	"	.20	or 103.43
50,000,000	"	"	"	.19	or 108.88
75,000,000	"	"	"	.18	or 114.83
25,000,000	"	"	"	.17	or 121.68

\$475,000,000.....Total.

Suppose the profit at these prices credited to Silver Safety Fund to amount to, say, \$12,500,000.

The market for silver being below the ratio of 25 to 1, let it be enacted that the present standard of the silver dollar shall be at the ratio of 25 to 1 to the extent of the bullion, costing not exceeding $82\frac{74}{100}$ per ounce, and, until another standard takes effect according to the provisions of this system, that the silver dollar and other silver coins shall at all times be of the same circumference as at present, the difference in weight being represented in the thickness of the coin.

These two amendments or laws would at once re-establish confidence in our currency and create a reserve on the gold basis of about 30 per cent. on the \$925,000,000 outstanding. What better position could be desired? The reserve would be as follows:

Gold, say.....	\$192,500,000,	or about 21 per cent.
Silver at $71\frac{22}{100}$	85,000,000	" 9 "

Total \$277,500,000, or about 30 per cent.

There would be in the Silver Safety Fund \$12,500,000 to lower, if necessary to protect the gold reserve, the price of the following silver to 71 $\frac{23}{100}$ per ounce, and this would require \$12,143,500, as follows:

\$25,000,000	cost 82.74; reduction, 11.41 per ounce.....	\$2,852,500
50,000,000	" 86.19, " 14.86 "	7,430,000
10,000,000	" 89.94, " 18.61 " . . .	1,861,000
\$85,000,000	Total.....	\$12,143,500

The subsidiary coin now in the hands of the United States Treasury and in circulation, to be issued and re-issued, but to make silver active, future subsidiary coinage to be of one ratio higher for silver than the standard silver dollar current at the time; while the ratio is 25 to 1, subsidiary coin to be coined 24 to 1, and the profit between the cost of 82.74 and 86.19 to be credited to the Silver Safety Fund.

All silver coin coined hereafter to bear in addition to date or year the figure representing the ratio.

The Act of 1890 as to the purchasing of silver to be so far amended as to require these purchases to be made in the uniform daily quantity of 180,000 ounces for each business day, and price to be limited to the standard price then existing.

All purchases to be charged to silver purchase account at the even ratio, and difference to be at once credited to Silver Safety Fund account.

Should, on a declining market, on the first day of any month, the average price for silver of the previous twelve months be below the even unit ratio next above the average price of the last month, such ratio to be the standard.

Should the average daily market price for silver for a period of twelve months, and the average price of the last month of this period, exceed the standard valuation, the standard of the silver dollar should be changed, and to be of the next higher even ratio for silver than this twelve months' average. No purchases to be made above the standard.

Provided, however, should the gold reserve be below 17 $\frac{1}{2}$ per cent., the standard to be changed in like manner on six months' average, and with gold reserve below 12 $\frac{1}{2}$ per cent.

in like manner on three months' average; if the gold reserve declines below $7\frac{1}{2}$ per cent., the Silver Safety Fund to be drawn upon to lower silver to the even standard next below the market.*

OCTOBER 15, 1893.

MR. FRED'K WM. LUTTGEN,
New York.

DEAR SIR,—Your favor of the 13th inst. is at hand. I read your pamphlet, as I read your letter, with interest. The chief trouble with your proposition is that the enemies of silver, who are in the majority, will not accept it.

Yours very truly,

EDWARD O. WOLCOTT.

PAMPHLET.—The Luttgen Monetary System. October 18, 1893.

The Luttgen Monetary System is the result of many years of careful study, both here and in Europe, to bring about the natural solution of the world's monetary problem. This solution would incorporate every advantage possessed in either of the three systems based on gold, silver or paper, without any of the disadvantages which are the necessary accompaniment of each or any two of these three systems when used alone.

The Luttgen Monetary System presents a ground upon which both sides can unite, and offers to all who have the public honor and welfare at heart every advantage for which they have been striving.

The purchase of silver under the Luttgen Monetary System will be upon an established statutory gold basis,

*Since the above was published, July 12, 1893, through the repeal of the Purchasing Act, silver has declined further, but the principle of the safety fund would remain the same, and be equally operative. If purchases were resumed at present, silver would materially advance at once and certainly reach the value of 71.33 cents per ounce given above.

My suggestion as to the establishment of branch banks has since been followed by the President and Treasury officials, but the mistake is being made of recommending these branch banks to be established in small towns, or where no banking facilities exist, while on the contrary, they should be established in the largest commercial centers of each State, or in such centers of population as the banks may find profitable. It is an extremely narrow view of finances to suggest that banks shall establish branches in villages. It is on a par with the statistician, who wishes to solve the money problem by restricting the coinage of small gold or the issue of notes of small denomination.

with coinage on the basis of gold value, and have nothing whatever in common with the present dangerous practice.

The Luttgen Monetary System will put the gold standard upon an absolutely firm basis, which has never been the case since the existence of our Government.

The Luttgen Monetary System will re-establish silver permanently to a greater use and activity as a money metal than at any previous period.

The Luttgen Monetary System will make the silver of the world active, not a burden, as it is at present in the United States, France, Germany, Holland and other countries.

The pending bill for the repeal of the purchasing of silver under the Sherman Act would have the effect :

First.—Of leaving our standard currency without satisfactory reserve. The failure of proper legislation, it is feared, would create renewed distrust, and would justify the hoarding of gold for self-protection.

Second.—It would force the necessity of an acquisition of gold by the Government. This, if attempted at the expense of burdening the taxpayer through the sale of bonds here, would fail in its object, for the gold would again be withdrawn as soon as paid to the Government. If attempted through the sale of bonds abroad, the result would be equally doubtful, and it would subject our monetary system yet more to the influence of our creditor nations; and, furthermore, would be likely to excite distrust on the part of Europe in the large amount of silver yet artificially used there as money, and cause a scramble for gold in Europe, with disastrous effect far beyond conception.

Should the acquisition of gold be attempted through the sale of a large portion of the silver now in the vaults of the Government, silver would be discredited to such an extent that, not only our mining interests, but largely our railroad interests in the west, would be ruined, and the danger of a gold panic would face us in this case also.

The scarcity of gold is not a question open to argument with those at all familiar with English and continental finances.

The compromises so far proposed would lessen confidence, for they embody the continued coinage of silver at a ratio of 16 to 1, and even threaten the coinage of the

seigniorage. No more fatal step to destroy confidence could be taken. They also embody great inconveniences to the public by the proposed withdrawal of small notes. The increase of circulation, whether by silver on a false ratio or by paper of whatever nature, would make our limited gold reserve disappear entirely, and with it the parity of our different moneys.

Inactive silver is a burden to any country. Silver at a fictitious ratio, as 16 to 1, or $15\frac{1}{2}$ to 1, is useless; it is fiat money. Paper would answer the same purpose and not deprive the nation from realizing upon one of its valuable resources.

The United States, France and other countries had better sell their silver than to hold it at a fictitious value, but under the Luttgen Monetary System the entire stock of silver in the hands of our Government would become active and without loss to the Government, become a satisfactory reserve, like gold, for all our currency, and the purchase of silver in equal daily quantities, and the coinage of the same at its market value, as in the case of gold, would continue forever.

Under the Luttgen Monetary System there will be no necessity for the sale of bonds, nor for the sale of silver, nor for the withdrawal of small notes, for under the movable ratio of silver, silver will practically equal gold, gold will flow into the United States Treasury unasked, and silver demanded therefor.

Under the primitive system of free coinage of both silver and gold prior to 1873, the fixed ratio for silver approximated the market value, yet at times gold, at times silver, would be demonetized by the market fluctuations regardless of statutory laws, causing severe disturbances, not only in the monetary system of the countries where such fixed ratios existed, but also in their foreign relations. But under this system such fluctuations are assumed by the respective governments and not felt by the mercantile community. Under the old ratio, when silver sold above gold, it was withdrawn, but under this system but a limited amount can be withdrawn before the ratio is automatically changed.

The market fluctuations under the then fixed ratios for silver, although limited to perhaps 2 or 3 per cent., was the

cause of demonetizing silver by one nation after another. Who would attempt to fix a ratio to-day, subject to less market fluctuations than prior to 1873?

To inaugurate the Luttgen Monetary System at once, that full confidence may be immediately restored, the standard silver dollar at present should be of the ratio of 26 to 1, to the extent of silver purchased below the corresponding price of 79.56 per ounce, and the daily purchase of silver of 180,000 ounces to be limited to the standard price. Future ratios to be regulated according to the rules of the Luttgen Monetary System under which, in case the average price for a period of twelve months should be below 76.62, the ratio 27 to 1 would be established. But this system will advance the price of silver, and do this, not upon an artificial basis, but due to silver having been made active and demand created therefor. Our Government would receive the greatest benefit from such an advance, having a greater interest at stake than any of the mining States of the West.

The seigniorage arising from coining at even unit ratios only to constitute a safety fund by means of which, in case of a sudden decline, a sufficient coinage for all demands will be brought to the gold basis before purchases at the lower figure have been made.

There will be no necessity for recoinage the present coinage of 16 to 1, but the same will be stored as bullion, for 50 per cent. of the stock of silver can be safely estimated as a reserve that demands of commerce will never disturb.

Many honestly believe that silver, when brought into active use, will rise in value to the ratio of 16 to 1. Be this as it may, the Luttgen Monetary System will admit of its so doing, and it would create no disturbances under this system should it fail to do so.

When silver advances above the standard price, purchases would be suspended and the previous coinage absorbed. On the other hand, when silver declines, purchases continue uninterruptedly.

The Luttgen Monetary System will recommend itself to all nations, and may be adopted by any nation independently of every other nation, and, unless European nations will follow us promptly in adopting the same, it would have

the tendency of withdrawing their gold into our Government vaults.

The present panic, serious as it is, has also developed an amusing side. We find men's minds in utter confusion; absurdities expressed and advocated that, were like measures advanced in connection with subjects better understood, the authors would be considered fit subjects for an asylum. We find, for instance, a man in favor of repeal advocating the coinage of the present seigniorage; another favors repeal and the extension of gold certificates. Omitting reference to the hundreds of absurdities as to restrictions of gold coinage, restrictions of notes, protection of American silver, bond issues, etc., etc., the quoting of the bullion value of the silver dollar is mischief rather than folly.

Under this system gold would flow into the Treasury naturally, but legal tender notes should be issued for gold on demand.

Do not let us commit the folly of coining the present nominal seigniorage, or of continuing the practice of gold certificates; renewed hoarding of gold must be the natural consequence.

In connection with the proposed compromises the impression is gaining that among the advocates of repeal an element exists that will oppose any measure not finally necessitating the issue of bonds, and that the proposition to continue the coinage of silver at 16 to 1, and the purchase of the same for twenty months longer, is an attempt to secure later the consent of the friends of silver to the issue of bonds. Such a condition would, even more than the present condition, necessitate either the issue of gold bonds and the unnecessary burdening of the tax-payer thereby, or force the silver standard.

What benefit is it to silver or to the mining States to agree to abandon silver after twenty months? The issue of bonds, except for a deficit, should not be countenanced. The only safety to our monetary system is in putting silver upon such a basis that silver in itself will be a satisfactory reserve for a gold standard.

The great advantage of this system is the outlet for silver through the advance of a limited coinage to a premium above gold without thereby demonetizing silver, yet interfering with the export of gold and encouraging the

imports of gold. The change of standard in the silver dollar will not affect the public, and will be merely a mechanical operation on the part of the Government. Any silver coin that may find its way into circulation will at all times be legal tender to any amount and exchangeable by the Government for gold on demand.*

IN THE "EMPIRE OF FINANCE AND TRADE,"
MARCH 3, 1894.

Before entering upon the solution of our financial question, it would be well to cast a glance at recent events and at the present position of this question in the extreme sections of our country to show that all interests can be harmonized upon one system.

Under a fixed ratio for silver we have been issuing paper money since 1878, measured in quantity by certain silver purchases. As this amount of paper increased and the price of silver declined, doubts of our ability to maintain the gold standard were created. In 1892 the national as well as every State platform of all political parties recognized the necessity of employing both metals, not only to create a sufficient basis for the money required by the demands of commerce, but also for the welfare of the nation. In opposition to the will of the people as expressed in these platforms (no party daring to make this an issue at the election of 1892), an extra session of Congress was called to repeal the silver purchasing act in place of providing the remedy needed to restore confidence and prosperity, which a continuance of the silver purchases with a correction of the ratio would have produced as an immediate result. This action on the part of Congress has caused the nation already untold losses. It has directly, through the stoppage of mines, brought many railroads into receivers' hands, has suspended interests and dividends, and has prolonged and intensified the general prostration of business.

*Time has proved, as herein predicted, that the first sale of bonds would fail in the object of protecting the gold reserve, and the second sale, partly to London, necessitated the third sale. This condition was largely forced by the increased National Bank note circulation.

The men who forced the folly of 1893 upon the country have succeeded in forcing a large bond issue and increasing the National Bank note circulation at the expense of the Government.

The gold monometallists having forced such extreme measures, the silver advocates, as a natural result, resort to the opposite extremes, of which Mr. Bland's present effort to coin the seigniorage is an illustration, and an effort and step towards forcing the silver basis, and in consequence of the action of Congress at the special session, the danger of the Government being forced upon the silver standard is to-day greater than at any time since 1878. With \$1,200,000,000 of paper and \$100,000,000 of gold, the financial system, and through this every industry, is entirely in the power of any syndicate of speculators.

In the present depressed state of the markets no advantage could be gained to exercise such power, but after a reasonable advance and revival of trade, which must follow even without prosperity, such a syndicate of speculators, by either exporting or withdrawing suddenly \$50,000,000 or \$75,000,000 of gold from the Government, would create a panic, at their pleasure, even greater than that through which we have just passed.

No section of our country favors forcing the silver standard. The silver mining States should certainly represent the extreme silver view, but this section exhibited at the World's Fair a silver statue of "Justice" standing upon a gold pedestal. By this statue the extreme West expressed to the nation their desire that the use of silver should be based upon gold. With such a sentiment existing, it should not be difficult to carry out an "American Policy" and settle the question of bimetallism once and forever for ourselves, and by so doing set an example for other nations to follow.

IN THE "EMPIRE OF FINANCE AND TRADE"

MARCH 10, 1894.

In the past, during the period of the free coinage of silver, the fluctuations between silver and gold would at times practically demonetize silver, at times gold, and cause an instability of the currency which the fluctuations in foreign exchange exceeding the cost of the re-transfer of the metal practically demonstrated. These fluctuations between silver of a fixed ratio and gold were of such a disturbing nature that the free coinage of silver was aban-

done, and the principles of the "Latin Union" (international agreements) were pronounced absolute failures and disturbers of commercial relations.

The coinage of the seigniorage would be a step against placing silver upon a footing approximating that of gold, an aid to gold, and the free coinage of silver would operate against the silver industries, for our country would be isolated from the currencies of the principal commercial nations. The silver basis of Mexico guarantees no safety to its merchants.

The past has proved, through the frequency of panics, that a fixed ratio for silver, causing the two metals to act separately in place of one aiding the other, is a constant disturbing element. The Luttgen Monetary System by its movable ratio brings the two metals into harmony and avoids further fluctuations in the money represented by them.

European nations will not consent to repeat the errors of the past and agree to an international fixed ratio for silver, with its natural results of undermining their present stable currencies. They will never expose their industries to such a suicidal policy.

The silver at a fixed ratio, which the old system has left on the hands of several nations, is a constant menace to the stability of their currencies, and will remain a danger until the ratio of this system is adopted by them.

The practical mind will recognize that in the practices of the past no solution of our present trouble can be found. The two metals must be brought to such a relation that silver will aid gold under all circumstances, and thus practically increase the quantity of gold to the full extent of the quantity of silver now existing or hereafter produced.

The solution of our monetary trouble and the monetary trouble of the world lies in a movable ratio as provided for in the Luttgen Monetary System.

The free coinage of a metal indicates that it shall be placed in circulation at its intrinsic value. This is the case with gold, our standard. To maintain this standard and to give silver practically the same advantage as of free coinage, the system provides that silver must be purchased by the Government in equal daily quantities and the stand-

ard based upon an average value of twelve months. Under this system the fluctuations which under the free coinage of two metals were so annoying to commerce, are covered by the Government without loss, and will never be felt by commerce.

Both silver and gold coin being for convenience represented by one and the same paper money, any change in the ratio of silver will hardly be noticed by the average citizen, but by such change of ratio our currency will be placed upon the firmest of footings, an outflow be created for the Government silver, and purchases of silver for Government account consequently continued forever.

IN THE "EMPIRE OF FINANCE AND TRADE,"

APRIL 7, 1894.

Under the laws of Nature, there is nothing dormant or at a standstill; the grains of gold forming our money unit are constantly fluctuating in value. If there is an exception to this law of Nature, it is the "theorist" who is at all times "impracticable." It is not the "theorist," but the thoughtful, practical mind that is needed to find the "way for the adjustment of our monetary affairs in a comprehensive and conservative manner, to afford to silver its proper place in our currency," by a method that will prevent loss to both the Government and to the people, and increase confidence at home and abroad in the currency now existing; all of which this system will accomplish.

The present condition is the gold standard with an insufficient supply of gold and "practical difficulties surrounding the replenishment of our gold." In consequence of this, we are threatened with the silver standard, and all the evils accompanying such a change. Under these circumstances, the fact that gold has appreciated, and to what extent, is entirely immaterial, and may be left to the "theorist" for discussion. We must supply an equivalent to gold to protect our monetary system from violent changes. The situation compels us to place silver upon such a basis that it will answer the purpose of gold, and by doing so we will give to silver its proper place, a place it has heretofore never held. Silver upon such a basis will bring the value of gold down to its former purchasing

power and lift the gold standard permanently out of its present embarrassment, and it will enable us to discharge our obligations on the gold standard, upon which they were based, by both gold and silver, and avoid the repudiation of a part of our debts which a silver standard would imply.

In our Government Treasury is a large stock of silver, not serving as money, but as a "token," for which purpose paper would answer as well. This silver is serving no purpose whatever, but is carried at a heavy loss and held at a fictitious value. It should be put upon a basis to serve as a money and to make our currency safe and stable. Every additional silver dollar coined at a ratio of 16 to 1, while silver bullion does not approximate this value, is a wrong against the silver interests and against the public. By this false ratio the Government stops the demand for silver and injures our mining and dependent interests. The Government has no more right to do this than to prohibit the use of rye for flour. We need the product of our mine as well as the product of the soil; both are essential to our prosperity.

"The dollar of our fathers," of which we hear so much, was practically on a par value with gold and with the silver bullion. Let us be equally honest and coin a silver dollar at its bullion value and equal to the gold dollar. Upon this basis only can our mining interests be benefited and confidence restored.

The free coinage of silver would have the disadvantages of the silver standard, and the coinage would be restricted by the capacity of the mints, a capacity which does not vary from day to day. This system offers to silver the same coining advantages upon the gold standard, and the power of settling balances between nations.

It is gratifying to notice the change in our New York bankers and business men. Last year they favored the issue of fiat money by opposing the silver purchase and by favoring an increase of National Bank circulation; to-day they recognize their error and the danger of increasing the circulation with silver upon a false ratio and without an adequate gold reserve by opposing the Bland Bill. Opposition to this bill will admit of correction of ratio.

The National Bank circulation was increased upwards of thirty million dollars. Had the purchases of silver con-

tinued, the currency would have been increased but one-half of this amount, and based upon silver which, at a ratio approximating cost, would have been equivalent to gold.

The repeal of the silver purchase law is indefensible, and prosperity will not return until such purchases are resumed and the ratio corrected. The latter must be done by independent action, for "International Bimetallism" is a folly and advocated only by the impracticable, the insincere or the misinformed.

The stability of our gold unit will be greater when nations use silver based upon gold than at present with some nations on the gold and others upon the silver standard.

To issue bonds for the purpose of maintaining a gold reserve is a hazardous undertaking, with the only sure result of increasing the burden of taxation. By placing silver upon the proper ratio, gold will flow into the Treasury without cost to the nation.

There is no reason why the Government should receive any gain or seigniorage from silver any more than from gold. Such seigniorage places the metal upon a false basis and at a disadvantage with gold; nor must the Government suffer loss from the silver now on hand nor from future purchases.

To place our financial condition beyond all doubt the system requires:

First.—The calling in of all gold certificates (storage receipts) and authorizing a legal tender note redeemable in gold or in standard silver at the option of the holder, in exchange for all gold deposited with the Government. By storing this gold the Government is undermining its own gold standard, for the gold is thereby prevented from acting as a currency reserve and from contributing to give confidence in such currency.

There is no more reason or justice in storing gold and issuing storage certificates therefor than there would be in storing wheat, cotton, etc., without expense to owners. In fact, if the Government were to store, free of charge, the produce for the farmer and the merchandise for the merchant, the nation would suffer less loss than in storing this gold and undermining thereby the nation's monetary system.

Second.—That all silver, coined and uncoined, purchased since 1878 be restored to its original cost. This would be simply a question of accounts or matter of form.

Third.—That such silver shall be classified as to cost for every even unit, ratio price; as, for instance, silver purchased at from 82.74 to 86.19 cents, to be all charged at 86.19 cents, and the difference or seigniorage to be credited to a special account; a Silver Safety Fund, etc., the object of which is to cover any depreciation in silver in case of an extraordinary demand upon the Government.

Fourth.—That the cost of the lowest priced silver on hand shall determine the first ratio under this system; if this ratio price is above the then market price, the first ratio under this system would be 27 to 1 to the extent of the silver purchased from July to October, 1893, below 76.12.

Fifth.—That the silver purchases shall be at once resumed in uniform daily quantities of 180,000 ounces, or at the rate of 3 ounces per day for each 1,000 inhabitants.

Sixth.—That the average cost of these purchases for a period of twelve months determines the future standards, the even unit ratio price next above this average forming the new ratio, always provided this is above the then current market price.

Seventh.—No silver to be purchased at exceeding the standard value then existing, and when less than 50 per cent. of the quota has been purchased within twelve months, the standard to be advanced. Should the principal nations buy but 50 per cent. of the quota of 1 ounce per day for each 1,000 inhabitants, all the silver produced would be turned into money, and silver would be likely to advance even beyond the ratio of 16 to 1. This is the true solution of the money question of the world.

Eighth.—Silver would be demanded from the Government when the market price exceeds the standard value, and would then be exported in preference to gold; yet such fluctuations would in no way affect our exchanges. An outflow for silver, without loss to the Government, would be created.

Ninth.—No United States silver coin to be imported except at its bullion value, and, when so imported, to be put into bars by the Government at owner's cost. All silver

coins exported to be in final settlement, being only exported when equal or above bullion value.

Tenth.—All silver coins of whatever ratio to be full legal tender, the Government being at all times ready to exchange all for existing standard. Subsidiary coins to be coined of one ratio higher for silver than the standard then existing.

Eleventh.—To create the desired elasticity of our currency a coupon Treasury bond bearing 2.555 per cent. interest, to be authorized to the extent of the outstanding uncovered "greenbacks" obtainable for any of the outstanding currency on the first of any month, and exchangeable back into legal tender currency at the pleasure of the holder on any day, provided the gold reserve is not less than 20 per cent.

The gold reserve under this system may be reasonably estimated to attain to upwards of \$400,000,000 at times, for the banks will find it more profitable to hold silver in their vaults than gold.

IN THE "EMPIRE OF FINANCE AND TRADE," APRIL 14, 1894.

Senator Sherman stated in the Senate a few days ago that there could be no opposition among any portion of the people to the use of silver when it would not demonetize gold. This is right, and the movement to give to silver its proper place must be inaugurated and guided by New York City, the financial center, and must not be left to the vagaries of other sections.

Since my last communication two propositions have been advanced; one to coin 42 millions of silver now in the Treasury, and the issue of bonds, the other to coin the Mexican dollar. Both propositions are impracticable and without utility and may be classed among the so-called "make-shifts." Among these may also be classed the suggestion from Holland to issue silver certificates, for we do not want two moneys, one based on gold and one based on silver, but we do want one money based on gold and silver.

No further silver should now be coined at the ratio of 16 to 1, nor should any further bonds be issued to main-

tain a satisfactory gold reserve. Such reserve must be kept up by placing silver upon its proper basis.

If it is desirable to set our idle mints in motion it would be better to coin at once the silver purchased at below 76.12 into dollars of the ratio of 27 to 1, and into fractional coin at the ratio of 26 to 1; coins of all denominations to be of the same circumference as heretofore, the extra weight being represented by increased thickness.

The danger of illicit coining of our fractional money is even greater than in the case of our dollar, and this applies to the silver coins of all nations on the gold standard.

By coining the above dollars at 27 to 1, the Government would take the initiative towards a sound currency, and this act alone would not only enhance the price of silver materially, but would forever remove the fallacy and danger of coining an inferior dollar and the question of seigniorage.

IN THE "EMPIRE OF FINANCE AND TRADE,"

APRIL 28, 1894.

As a practical step for the relief of the financial crisis, which has not yet passed, but is threatening the world with disaster, compared to which the panic of last year is only a ripple or warning, this greater panic is likely to develop itself at any time within the next two or three years, unless a proper basis for the money of the world is obtained, and for the further purpose of directing the attention of the public to measures that will produce a sound money, not for five years, but for always, I advocate bringing before Congress a bill, first, to authorize the coinage of all silver purchased below the price of 76.62 per ounce into national dollars of the ratio of 27 to 1, and that when such coinage is exhausted to coin successively the silver at 26 to 1, 25 to 1, etc., to the extent of the amounts purchased within these figures, provided that no silver is coined, at a loss to the Government.

The small seigniorage between these ratios and cost to be carried to a "silver safety redemption fund" (I would suggest this new dollar to be termed an International Dollar).

2d. That it shall be the policy of the Government to pay

out neither gold nor silver coin, except on demand, but a legal tender note representing either at option of holder.

The coinage of silver at the even unit ratio next above cost would be a step in the right direction, and would establish a silver dollar that may soon, due to fluctuations in silver, be worth par and equal gold, and thus strengthen the gold reserve.

There can be no objection to such coinage on the part of either the gold monometallists, or of the friends of the 16 to 1 ratio for silver. The only objection could come from those who wish to burden the nation with an increasing issue of bonds, for it would strengthen the gold standard and it would create a demand for silver, which demand alone can make the ratio of 16 to 1 one of the practical probabilities of the future, and would make a further bond issue for reserve unnecessary.

Those who were justly opposed to the coinage of the seigniorage should certainly favor putting into the silver dollar all of the silver purchased for that dollar. With this system the dangers and restrictions of an international agreement can be avoided and an independent American policy adopted, not only with absolute safety to the gold standard, but with a power exercised through the natural laws of trade that will force other nations to adopt the same or endanger their gold standards. This power will be greater over Great Britain than that which Senator Lodge proposes through tariff discriminations ; but the action of Great Britain would then be entirely indifferent to us as far as the safety of our monetary system would be involved, but would further enhance the value of silver. Nation after nation would voluntarily adopt our system.

The fallacy and prejudice of a fixed ratio for silver under the gold standard is the cause of the present financial disturbance throughout the world. This question can never be settled by a fixed ratio, whether established by one or any number of nations.

On every hand we see daily the evidence that this important question underlying or influencing every undertaking is not receiving the careful consideration it should receive. To better illustrate the effect of the Government policy of holding silver at the ratio of 16 to 1, let us suppose the Government were to treat corn as silver ; suppos-

ing corn to be worth two-thirds the price of wheat, or 44 cents, and wheat 66 cents per bushel. If the Government were to forbid by law the sale and purchase of corn except at 88 cents per bushel, or one-third higher than wheat, except among farmers, every farmer would protest, for his corn would find no market, and the price would further decline. Consumers would use wheat in place of corn. It is strange that the mine owner, who is the producer of silver, as the farmer is of corn, does not recognize that the Government is injuring him with this fictitious valuation of 16 to 1. It is not practicable for settling balances abroad, and gold is used instead.

Silver coined at cost would not only be in demand according to fluctuations for export, but would be used in the industrial arts the same as gold coin.

The low price of wheat is caused by the prejudice in favor of silver yet existing in the silver wheat-producing countries. Such prejudice in favor of silver will not continue to exist long, and is a very unsubstantial basis to build upon. In a very few years the silver of the world will move together.

IN THE "EMPIRE OF FINANCE AND TRADE," MAY 12, 1894.

The International Bimetallic Conferences, of which another was recently held in London, are undoubtedly pleasant, social gatherings, but the idea of solving the silver problem through international agreement is justly ridiculed by the press of London. It is about time that all such schemes should be laughed down. The gold standard is not fixed by international agreement; why should the employment of silver be thus restricted?

Men of position, with no knowledge or opinion in monetary matters, have for some time sought refuge in the platitude of "an international agreement," yet not one has ever formulated such an agreement, or illustrated the practical working of the same. The indefinite expression of "an enlargement of the principles of the Latin Union," has been ventured by some, but this same Latin Union has proved an absolute failure, becoming a burden too heavy for some of its members to carry.

The error of the past has been to antagonize silver and gold by establishing arbitrary ratios. Under such a condition bimetallism cannot exist, and the result has been that bimetallism does not exist to-day in any part of the world. Using silver as a token or subsidiary metal, as in the United States, France, Germany, etc., etc., is not bimetallism. To obtain bimetallism it is necessary that silver as money shall be so adjusted to the gold standard that its intrinsic value will permit ultimate settlements thereby between nations. Silver must be placed in a position to be of full debt-paying power.

The multiplicity of complicated and bewildering schemes advanced by financiers illustrates the importance of the work in which I have been engaged for years, and of which this system, perfect in every respect, is the result.

It was years before the value and benefits of Columbus' discovery were recognized. This discovery has benefited all mankind, yet, after Columbus discovered America there was no other America to discover; so it is with this system. The problem will do more for mankind than the discovery of America has done.

A movable ratio is the principal feature of this system. This movable standard need not be represented by the even unit ratios, but may be based upon the multiple of any weight, as of 24 grains, viz., 480 grains, 504 grains, etc., or may be based upon a value standard of 5 per cent variations, etc., but the even unit ratio is the most practicable. Other nations may adopt a change of standard at every $1\frac{1}{2}$ ratios or two unit ratios apart, as their own needs may dictate; as, for instance, should gold reserve exceed 40 per cent., a difference of two unit ratios would increase the silver reserve. The mechanical execution of this system would vary according to the needs of the respective countries.

All silver coined in accordance with this system should be preferably .925 fine, or of such standard most suitable for use in the mechanical arts, to encourage a new demand for silver coins. Every possible outlet and use for silver should be created the same as for gold; no more subsidiary coinage.

Under such a system the nervous transfer of specie from nation to nation on the slightest variations of exchange will

be much lessened, and gold will return to its former purchasing value. All of the world's surplus, gold and silver, will be permanently needed as money, and all nations will be upon one standard.

This system requires no concerted action, the nation adopting it first will have an advantage over its followers.

UNITED STATES SENATE, May 21, 1894.

F. W. LUTTGEN, Esq.,
New York City.

DEAR SIR,—You are entitled to commendation and sympathy in your efforts to solve the existing currency question.

Yours respectfully,
W. E. CHANDLER.

IN THE "EMPIRE OF FINANCE AND TRADE,"
MAY 26, 1894.

In fighting the battle for sound money, it is well to locate the enemy.

Antagonism to a stable currency in our western States was considered to be centered in Mr. Bland of Missouri, as the champion of the arbitrary ratio of 16 to 1; but Mr. Bland has recently approved of the money platform of the Missouri Democratic State Convention and thereby abandoned his fight for this arbitrary and at present impracticable ratio, and Mr. Bland may, therefore, now be counted as a friend of sound money.

It is now time that those pretended friends of bimetallism who are arguing that silver in India, China, Mexico, or where not, has not varied in purchasing power, should change their course of argument, for such argument only excites derision and hurts the cause of bimetallism and sound money.

To prove the necessity of employing all available gold and silver as money, it is not necessary to resort to misrepresentations or theories.

The greatest enemy of sound money is the "gold monometallist." His theory of a sufficiency of gold has produced the present panic, as well as several previous panics, and, unless he is overcome, a more destructive panic will follow the first revival of business.

The Missouri Democratic State Platform, which Mr. Bland approved of, provides for free bimetallic coinage of both gold and silver at such ratio as will maintain the two metals in circulation.

If any one believes that the two metals can be maintained in circulation by any fixed arbitrary ratio let him study the financial history of the past 100 years, and he will be undeceived. The movable ratio under this system can alone accomplish this, as well as readjust the rise in gold and fall in silver, that the rights of both creditor and debtor may be protected.

By the word "free coinage" unlimited coinage cannot be meant, for the capacity of our mints would practically limit the coinage to an equal daily amount, the same as provided by this system; but this system has the advantage in giving the owner of silver the market value the same as in the case of gold in legal money on presentation of bullion. The tenacity with which the friends of silver held fast to the ratio of 16 to 1 made the repeal of the Sherman purchasing act a necessity, which otherwise could have been continued, and with the change of ratio in accordance with this system would have restored confidence at once, reopened our mines, and set all industries in motion. Mr. Bland and his friends no longer holding to this arbitrary ratio, silver purchases should at once be renewed to the extent of 180,000 ounces daily as this system provides, thereby strengthening the gold standard and removing the necessity for a further bond issue by the Government.

The repeal of the silver purchase law has created much hardship, and for this both parties are at fault. The simplest legislation only is necessary to give the country prosperity. I would also suggest an amendment to the tariff bill now in Congress to the effect that all United States silver coin shall be imported as "bullion," subject to a charge for such conversion.

IN "EMPIRE OF FINANCE AND TRADE," NOVEMBER 24, 1894.

The settlement of our tariff removed another phantom cause for our late panic and present stagnation in business, but the general public was not deceived, and declared itself against the party who failed to fulfill its promise of 1892 to "use both gold and silver as standard money."

It should be apparent to any observing mind that our panic of 1893, as well as the depressions of trade in other parts of the world, were produced by a doubtful monetary system, a false relation between silver and gold. For a period prior to 1892 our gold reserve was at times seriously threatened by the exports of gold, but a panic was then averted by a blind hopefulness on the part of the public that the Brussels Monetary Conference would lead to some solution. What this solution would be the public had no thought, nor even the delegates who represented us.

The failure of the Brussels Conference caused confidence to be shaken, which was practically the origin of our panic. As blind as was the confidence in the power of the Conference before its failure, so equally blind was the cry that followed "that our silver purchases were the cause of our trouble." This was an extremely superficial idea, and did not represent one-quarter of the truth, for it was not the purchase of silver, but the ratio, which was at fault, and the purchases only as far as associated with a fixed ratio.

Time has dispelled these phantoms, and our merchants and bankers may finally realize the truth. The world has arrived at a period of progress where a fixed ratio between the two necessary money metals is no longer practicable.

It was in February, 1891, that the "Luttgen Monetary System" was first published; since then much has been said and published on this question—my great work has induced many imitations with no knowledge of finance, and its subtle requirements to force erratic ideas upon the public. There is but one solution of the great monetary problem that has been for centuries before the world, and this is presented in "the Luttgen Monetary System."

This system is not the creation of an individual opinion or judgment, but is the result of years of research, and is rather the discovery of one mind in trying to harmonize

the antagonistic interests and the present situation with a stable system without loss to the Government or disturbing the form of currency to which we are accustomed.

Every material progress that has been made in whatever branch of science, art or reform has been the work of a single mind. Our powers of thought are strongest in solitude.

The system offers the solution to every monetary difficulty. Financiers or men of experience will find endless pleasure in following its operations.

The system as a whole is complete and perfect. It offers an absolutely stable currency in placing the gold standard upon such a solid basis as it has never before attained, and will guarantee the continued use of silver as standard money in connection with gold for the first time in the history of finance.

It will give us also a safe elastic currency. One of the features of this system was proposed by Representative Johnson of Ohio during the special session of Congress in 1893, but the system should not be adopted in parts, but as a whole. It is all the parts that produce the perfect whole.

What is called the Baltimore Plan, a superstructure without adequate foundation, does not meet our present necessity, for with the present stagnation and impaired confidence we need a better metal reserve rather than an increased volume of currency, and this need was not even touched at Baltimore.

Our associated banks and our Chamber of Commerce should acquaint themselves thoroughly with this system, that its introduction may not be unnecessarily delayed. That this system will finally prevail, notwithstanding any obstacle, there can be no doubt.

This question requires thought and study, and has undoubtedly received more time and attention from me than it has ever received before.

Upon the stability of the monetary system the prosperity of a people depends. A fixed ratio belongs to the period of stage coaches or tallow candles, not to the present period of steam and electricity.

The associated banks of New York are to-day erecting a clearing house, a house which is expected to stand for

centuries, but I present here single handed a structure which will stand thousands of years.

Japan has surprised the world in substantiating her right to be classed among the first military and naval powers. We must admit the possibility of being compelled to recognize her soon as a commercial and financial power. Such progress and acquisition to the commercial world should satisfy all practical men of the folly of international monetary conferences.

The bond issues to replenish the gold reserves are very unfortunate. The discriminations between existing moneys should not be made by the Government. The only result derived from these bond issues will be an annual increase in the cost for interest. The fiscal and monetary systems of our Government should be separated. The tariff and taxes on spirits and tobacco, and not bonds, should cover the fiscal requirements.

During the panic of 1893 hundreds of firms and corporations had to appeal for assistance to syndicates of bankers and capitalists, and many of them are yet of doubtful outcome as to surplus or profit. These pending transactions alone should warrant attention being given to this subject.

This system will replenish our gold reserve without the issue of bonds, and within sixty days after the adoption of this system the country would feel the resulting prosperity in every branch of industry.

The benefits that this system will bestow upon the world are so great that it would take volumes to describe them.

IN "THE EMPIRE OF FINANCE," JANUARY
14, 1895.

SOUND MONEY.

A SHORT SYNOPSIS OF THE LUTTGEN MONETARY SYSTEM.
(Copyright 1891.)

Radical changes are inconsistent with sound money. The money to which we are accustomed has therefore the first claim for consideration for future use. Why not, then, strengthen the foundations of our existing currency, and

not effect alterations offering but temporary and doubtful relief?

There is no feature in our present currency which cannot be made absolutely sound without expense to our Government or people by the introduction of the Luttgen Monetary System. This system treats of the proper relations between the two metals, silver and gold, but creates also a basis for an elastic sound subsidiary or supplementary currency.

The principles of the system are :

1st. The absolute gold standard, and this defended by the proper use of silver.

2d. The continued employment of silver upon its intrinsic or bullion value or gold standard, and thereby removing the existing antagonism between the two metals—therefore the coinage of both metals at cost.

3d. Automatic, opposed to all discretionary powers, whether vested in the Secretary of the Treasury Commission or otherwise. Who would be willing to allow the Secretary to change the weight of the gold dollar at discretion? Yet any discretionary power relating to our currency is in effect equivalent to this. Discretionary powers and elasticity relating to currency describe antagonistic conditions.

Our existing material out of which to create a permanent sound money is approximately as follows:

GOVERNMENT CURRENCY OBLIGATIONS.

\$400,000,000 in silver certificates secured by silver coin and in silver.

150,000,000 in Treasury notes secured by silver at cost.

350,000,000 in legal tender notes theoretically with a \$100,000,000 gold reserve, but this reserve is constantly endangered by deficits in Government revenue.

\$900,000,000 total.

750,000,000 in outstanding Government bonds.

400,000,000 in gold in circulation or serving as money.

200,000,000 in National Bank notes secured by Government bonds, the above representing a total circulation of about \$1,500,000,000.

This position demands:

I.—Protection for the reserves of the currency system by authorizing the Treasury to borrow to meet any deficit in revenue. A proper currency system when not raided requires no new bond issues.

II.—The strengthening and defending of the gold reserve by placing silver upon its proper relation.

III.—An increasing and elastic sound currency obedient to the demands of commerce.

PRELIMINARY LAWS.

First.—For the separation of the Government fiscal system from the monetary system, and for the deposit in banks of any Government fiscal balances exceeding $2\frac{1}{2}$ per cent. of the Government monetary issues, to avoid arbitrary contractions.

Second.—For cancellation of gold certificates either by payment or exchange for a new legal tender note payable in gold or silver at pleasure of holder.

Third.—For a uniform legal tender note payable in gold or silver at pleasure of holder to be issued for deposits of gold.

Fourth.—For the restoration of all Government silver and silver coin in domestic circulation to its original cost. This will increase the actual security behind the silver certificates about \$50,000,000.

Fifth.—That a Government bond bearing 2.555 per cent. interest be authorized to an amount equal to the outstanding legal tender notes not covered by the gold reserve, exchangeable upon application for such notes, and said bonds exchangeable back into the new legal tender note, payable in gold or silver at pleasure of holder, provided the gold reserve shall be not less than 20 per cent. for all Government issues.

Sixth.—That all silver purchased at below 76.62 per ounce be authorized to be held for delivery at the tentative ratio of 27 to 1, and be so coined when silver advances to 73.82, and that all silver be held for coinage or delivery at the even unit ratios next above cost. This at the present price of silver would advance the intrinsic value of the current silver dollar from about $47\frac{1}{2}$ to 80 cents. At $76\frac{1}{2}$ for silver the dollar of 27-1 would be par and equal to gold.

Seventh.—That the forcing of silver coins into circulation be abandoned. Silver under this system will find a natural outlet.

Eighth.—That silver coins in domestic circulation shall be at all times exchangeable at the United States Sub-Treasury.

Ninth.—That the circumferences of all silver coins remain unchanged, the thickness to represent variations in weight.

Tenth.—That the importations of all silver coin and light-weight gold coin be delivered to the Government to be turned into bullion.

Eleventh.—That any Government bond issue may serve as security for National Bank notes.

Twelfth.—That the Government authorize the exchange of all existing bonds at pleasure of holder for a uniform bond bearing 2.55 interest on the basis of sale price of bonds.

REMARKS.

The declaration of the Government to coin silver at cost will produce confidence in the intention and ability of the Government to maintain the gold standard, and will lead to an increasing gold reserve through deposits of gold with the Government.

A heavier dollar should not crowd a lighter dollar out of domestic circulation any more than the present silver dollar interferes with the payment of a dollar by two half dollars.

LAWS TO BE ENACTED.

First.—That on and after the first day of the next Government fiscal six months the Secretary of the Treasury shall purchase daily 180,000 ounces of silver, or so much thereof at lowest offer, not exceeding 76.62 per ounce, the established tentative ratio, and issue therefor a legal tender note payable in gold or silver at pleasure of holder.

In case of an advance or decline in silver, the standard silver dollar will follow the market after six months. Should however, in case of an advance, the stock of available silver become exhausted, the standard would be then advanced. An advancing market would bring more and more of the Government silver upon the actual gold value, and a de-

clining market is provided for by a safety fund obtained from the difference of coinage at the even unit ratio next above cost and actual cost. The safety fund thus established from the present stock of silver would suffice, should a low gold reserve require it, to bring immediately \$50,000,000 of silver even at the present low price to the gold standard, and thus aid the reserve.

By this system the intrinsic value of the current silver coin will always approximate the gold value. Slight fluctuations are covered by the Government credit and not felt in commerce or in exchange, but when due to fluctuations the silver coinage is of full gold value or above, an outlet is created and the gold kept at home.

Second.—That when the gold reserve in the hands of the Government shall exceed 20 per cent. of the entire Government issue, any United States bonds may be exchanged for legal tender notes, provided such Government issue based upon bonds does not exceed 40 per cent. of the entire Government issue.

Third.—That the National Bank note issues under the present law be suspended, and that a new National Bank note issue be authorized (not a legal tender, but receivable by the Government for taxes) to the full par value of Government bonds deposited, such issue to be free of all taxation, and the cost of issue to be borne by the Government, interest on the bonds deposited to cease, and in place of the 5 per cent. reserve fund a penalty to be imposed for failure in prompt redemption when received in payment of taxes, and that such National Banks only shall be the depositories of public funds.

Fourth.—That all silver notes now outstanding shall be canceled when paid to the Government, and the new uniform legal tender note payable in gold or silver at pleasure of holder issued therefor.

REMARKS.

The silver in the silver dollar at the late price of silver fluctuates around 50 cents, but passes in domestic use on the credit of the Government at 100 cents, yet cannot be used to settle balances abroad. Should silver be coined at cost, the silver dollar would fluctuate in intrinsic value

around par; when below 100 it would likewise pass for 100 on the credit of the Government, but when at par and above it would settle balances abroad—and keep gold at home, and not effect exchanges, for the gold standard would be firm and immovable.

There is at present a loss of upwards of \$100,000,000 on the Government silver, but under this system this loss will gradually be recovered.

The rate of 2.555 is equal to 7 cents per \$1,000 per day, convenient in the monetary system for the exchange and re-exchange of bonds and currency, and a rate that will likely prevent the bonds selling below par at all times.

The bonds should be issued in amounts of \$100 and upwards to facilitate the free exchange of currency for bonds; this is also one of the defenses of the gold reserve.

This system is the result of close and intent study of many years, and not only offers to us a perfect currency, but also to every nation upon the earth; it will benefit particularly our sister American republics, by offering them a system that will prevent the ruinous fluctuations between their silver standards and the standards of the commercial world.

FRED'K WM. LUTTGEN.

UNITED STATES SENATE, January 27, 1896.

Mr. FRED'K WM. LUTTGEN,
New York City.

MY DEAR SIR,—I beg to thank you for your letter of the 23d, and wish to say that I think there are some good suggestions in it which shall receive my consideration.

Yours truly,
S. B. ELKINS.

NEW YORK, N. Y., March 16, 1896.

Hon. CHARLES N. FOWLER,
House of Representatives,
Washington, D. C.

DEAR SIR,—I fully agree with the proposition set forth in your letter as to what is required, but doubt the advisa-

bility of issuing at present a bond as low as 2 per cent. interest for the purpose of underlying an elastic currency, nor favor putting upon the Government any losses in refunding outstanding bonds. As one who has given the question thorough study and has arrived at a conclusion, I may be considered as not without prejudice, and consequently not entitled to offer criticism on your bill, however kindly invited by you in your endeavors to arrive at a system for the best interests of the nation at large; and whatever value my familiarity with the subject may give to my criticism, may be offset by the fact that I have arrived at an opinion as to the necessary solution.

The fifteen objects which your letter enumerates to be attained by your bill would *per se* be fully attained by my system; but I do not feel that your bill would answer in practice your requirements. The third object enumerated in your letter (to remove every possible doubt affecting the character of our money) practically covers the field. As I said, I do not think that your proposition is broad and sound enough to accomplish this. I hold that the Government only should create money, and that no system delegating this power to any corporation will stand the test of time. The money must be gold, silver and paper, exchangeable at all times at the pleasure of the holder.

The present National Banking system was inaugurated during times of war. Concessions were made that the banks in return might assist and strengthen the Government credit; but of late, and during the present administration, the National Banks have held the Government by the throat, and seem to control the press of the country. The National Banking laws must be remodeled that in future National Bank note circulation may be subsidiary and not antagonistic to the Government circulation as at present.

The measure now before Congress to authorize National Bank note circulation to par value of bonds deposited should be defeated at all hazards; for the only means of defence of the gold reserve which the Government has at present is its limited control over the circulation. This power has been ignored by the present administration, and bonds have been sold and the proceeds deposited in banks. The National Banks are a constant menace to the gold re-

serve. Here is an "endless chain" aided by the administration in more than one way. All Government deposits should be withdrawn from banks, and not resumed until such deposits represent surplus revenue.

The above measure now before Congress would create new dangers for the gold reserve; but a law should be enacted that no further National Bank note circulation shall be issued except when the gold reserve is above \$100,000,000. The Government must relieve itself of this yoke.

I believe the monetary question will be solved by the Republican party in a manner that will place the credit of the Government, although of a debtor nation, equal to that of Great Britain, and no patchwork should at present be enacted. Many advocate a system which would offer a stable standard for the debts to our creditors abroad, but would naturally subject our domestic affairs to the dangers of frequent panics.

This is not sound money and represents my principal objection to your bill. Let us have a system sound at home, and our creditors abroad will find it equally sound and stable. The proper solution will be so simple that no board of finance or commission is required. Simplicity is the necessary characteristic of sound finance. It is within our power to inaugurate the most perfect monetary system, which even England will find it policy to adopt, and this will be a system by means of which silver will protect the gold standard and not antagonize it as heretofore.

Our position is a peculiar one, for we are the only debtor nation of the four or five leading commercial nations. The monetary solution is not to be found in history. In the past and the world over silver has fought gold as a monetary metal. In the future, upon silver as an aid to gold will depend our commercial greatness.

Yours very truly,

FRED'K WM. LUTTGEN.

JUNE 6, 1896.

To the Secretary of the Reform Club Committee on Sound Currency :

DEAR SIR,—Yours of the 3d to hand, for which please accept my thanks. I have my doubts about the work of your Club, and fear it will cost the nation heavily.

That the gold standard, a unit of 25.8 grains, must be maintained, of that there is no doubt; but you are not working for this, but to replace Government issues by a doubtful bank issue. This one desire on your part blinds you; you do not realize the situation. There has been in the past no controlling sentiment for the coinage of free silver for account of the public in any section, nor do I think, notwithstanding the suffering and shrinkage of values since gold monometallism was inaugurated in 1893, that it will prevail this year. Nothing but a continuance of gold monometallism will lead to the free coinage of silver for account of the public.

We are now, since 1893, for the first time in the history of the nation on the gold monometallic basis (gold standard and gold monometallism are two different things).

The depression this has caused is falsely attributed to other causes; but so great is the love for sound money, that I do not fear for a change of standard unless another panic should take place while gold monometallism prevails, when no power can prevent our going upon a silver standard for a time.

The greatest evil of our monetary system is the fact that the circulation of the banks is not under Government control. Since 1893, the National Banks have had the Government by the throat. It is imperative that the East come forward to make sound the money we have, and discard the men who are struggling at all hazards to secure circulation at the expense of the public.

FRED'K WM. LUTTGEN.

MEMORANDUM.

Mr. Charles S. Fairchild was Chairman, and Mr. L. Carroll Root was Secretary, of the Reform Club Committee on Sound Currency, and Mr. Charles S. Fairchild is also Chairman, and Mr. L. Carroll Root is also Secretary, of the

Committee on the Banking System under the Indianapolis Monetary Commission.

It would seem that the National Banks, not succeeding in gaining the support of the public through the Reform Club, have reorganized under the Indianapolis Currency Commission for the purpose of accomplishing their designs.

The following was published June 10, 1896, previous to both National Conventions:

MONEY PLANK SUGGESTED BY "THE LUTT- GEN MONETARY SYSTEM."

We believe that the material interests of our citizens demand the maintenance of a national currency, every dollar of which, whether in gold, silver or paper notes, shall be of equal value and of equal debt paying or purchasing power as the most equitable and stable measure of value or medium of exchange, upon an unalterable gold standard and dollar unit of 25.⁸ grains of standard gold as established by Act of January 18, 1837, and as declared the policy of the Government by law of 1890, and we now declare in favor of the firm and honorable maintenance of that standard.

We demand the use of both gold and silver upon the Gold Standard as money of final redemption and contend that the Government should not derive any revenue whatever from the coinage of either gold or silver, a practice destructive of sound money and undermining every industry. Nor shall the Government suffer loss beyond the cost of coinage.

We demand that the coinage of gold shall be free and unlimited at all times to the public, but the coinage of silver shall be only for Government account by equal daily acquisitions of bullion, to the fullest extent consistent with the maintenance of the gold standard, that silver in thus entering the monetary system shall be free from coinage charges the same as gold; therefore, that any so-called seignorage or surplus over coinage standard of silver shall be held as a guarantee and subject to maintaining the redemption quality in gold of the silver coin as provided

for in the Luttgen Monetary System to make silver a subsidiary money of final redemption.

We contend that all Government money, whether of gold, silver or paper, shall be at all times interchangeable at pleasure of holder.

We condemn the present administration for continuing to coin, under present conditions, the so-called silver seigniorage, thereby discrediting silver by lowering it to a token money and thereby endangering the gold standard and necessarily limiting the employment of silver in our monetary system.

To place silver upon its proper basis in our monetary system we demand that the seigniorage of all silver now in our monetary system shall be restored by the Government fiscal system. The monetary system is not a proper source of Government revenue. To prey upon the monetary system for revenue is dishonest to the people, for such revenue, by undermining the monetary system, is paid by the people a hundred fold ; the necessary revenue must be obtained from other sources.

Thus, such silver may be held at its original cost and such seigniorage to be held as a guarantee to bring silver to a basis of redemption money by regulating the ratio as represented by "The Luttgen Monetary System."

We hold that all United States silver coin in circulation within the limits of the United States shall at all times be considered an obligation of the Government payable in gold or paper at pleasure of holder, but silver coin becomes money of final redemption when exported or melted to be used in the arts ; we therefore demand that any United States silver coinage re-imported shall be delivered to the Government to be turned into bullion for account of owners.

We demand that all bank note circulation shall at all times be an auxiliary or subsidiary circulation to the Government circulation and not antagonistic thereto.

THE LUTTGEN MONETARY SYSTEM,

27 WILLIAM STREET, NEW YORK,

June 29, 1896.

Mr. WM. C. WHITNEY,
New York City.

DEAR SIR,—A platform demanding: First, the maintenance of the gold standard and unit of 25.8 grains. Second, the free and independent coinage of silver for Government account. Third, that all bank note circulation shall be under Government control. If such a platform were proposed by the East it would prevail at Chicago, and its candidate, if a Democrat, and not connected with the present administration nor with the repeal act of 1893, would be elected.

But such sophistry as expressed in the Saratoga platform will have no chance whatever. In making the above statement I speak with the full acquaintance of the true sentiment, both in the West and South, and as one who has perhaps devoted more time and attention to the solution of the monetary question than any one man. I express myself concise and positive, and will add that I am for the absolute gold standard, and equal absolute bimetallism, but I could not vote for a candidate nominated on a platform like that of Saratoga which, if it signifies anything, is for gold monometallism. Since 1893 the nation has been on a monometallic basis for the first time in its history. Disaster upon disaster has already been the result, but this is nothing compared to the disturbances that are yet to follow if this policy prevails.

National bimetallism is a phantom. Dr. Arendt, of Berlin, says: "I am in hopes of formulating soon some plan upon which to act." After all these years during which this term has been used for political purposes and for speculative control of the monetary system, its advocates have not even yet outlined a plan. The general public is commencing to believe that only fools and knaves talk international bimetallism. When an international conference can cause the moon to give us light daily from sunset to sunrise, it may be able to regulate or maintain a fixed ratio between the two metals, but not before then, but the desire for bimetallism is universal. It may be said to be an



international desire, yet bimetallism can only be perfected and permanently exist when following natural laws.

The East continues to prate about "sound money," but with gold monometallism no sound money is possible for the United States. Let us see what this eastern sound money means. The New York Clearing House banks are refusing silver certificates in settlement of balances between each other, discriminating against this money and passing it into circulation before any other. If the desires for sound money were honest, they would protest against the Government deriving a revenue of about 75 millions from the coinage of silver. Silver has been taxed to death by the Government. In 1895 the executive attempted to force through Congress a bill making bonds payable in gold, a piece of class legislation. Make the silver notes and silver which the banks are taking such care to force upon the people payable in gold, and the question about bonds will not arise.

There are at present in Congress bills for the refunding of the National Debt, and for increasing the National Bank note circulation to the par value of bonds. These are eastern measures and represent further methods of undermining the Government money and preying upon the people. These are a few of the acts of the East for the so-called "sound money." I could enumerate many more.

Sailing under this false cloak, the East rests by applying abusive epithets to the South and West. If the East cannot be brought to reason before the Chicago Convention, it is to be hoped that the East will be defeated, both at Chicago and at the November election. The East may then realize the danger its course is leading to.

The Executive in 1893 controlled the Legislative branch of our Government, but this received the most emphatic protest from the people at the election of 1893, and at every succeeding election with such force that no future President is likely to repeat the experiment; therefore, the election even of a free silver candidate does not mean free silver. It simply means that the East will have been forced to agree to a sound bimetallic money system on the gold standard, not within the influence of banks or speculative capital, and of which the South and West would accept to-day.

The national credit or honor is not at stake, for the West and South would not declare for silver monometallism if

they had the power. The Fifty-fifth Congress not meeting until December, 1897, should give us a money system superior to any now in existence, and commensurate with the requirements of the country.

Patriotism will yet prevail. The banks have been strangling the Government for many years, to which an end must be put. It is not silver that threatens us, but the manipulations by the banks to secure circulation.

Yours very truly,

FRED'K WM. LUTTGEN.

P. S.—This letter touching a public question, I reserve the privilege of making such use of it as I may deem proper

NEW YORK, July 23, 1896.

Mr. WILLIAM C. WHITNEY,
New York City.

DEAR SIR,—Permit me to recall your attention to my letter of June 29th and the corroboration of the same in the statement of Congressman Newlands, at St. Louis, yesterday. His words were these: "It is not intended to drive away gold or to debase our currency. Our purpose is by giving silver equal privileges with gold, to raise its value and by diminishing the strain of gold to bring the two metals to a parity." No honest man can raise any objection to this declaration. Why should the interpretation of prejudice of republican alarmists or of freebooters be accepted as regarding the Chicago platform? The reference of 16 to 1 and the coinage of both gold and silver guarantees the present gold standard to a greater extent than the appalling silver standard, for the gold standard now exists and silver cannot be so coined until the bullion value is such. But it can and should at once be coined at a movable ratio in accordance with the market value.

The Chicago platform when properly interpreted is admirable, although I think it was a mistake to revive Cleveland's Income Tax scheme.

Are you willing to join in a movement to make the existing Government money sound, not to substitute other circulation, but to make that which we have sound?

Very truly yours,

FRED'K WM. LUTTGEN.

NEW YORK, N. Y., August 19, 1896.

Mr. WM. J. BRYAN.

DEAR SIR,—Many of your friends have been sadly disappointed in regard to your position on the ratio of 16 to 1. The Chicago platform, not unlike such declarations on the part of a large assembly, is contradictory and inexact in several details. The intention undoubtedly was to declare for bimetallism, but you give it the interpretation of silver monometallism. The free coinage of silver is the all-important point aimed at. The ratio is of minor importance to be adjusted to admit of silver to advance to the present coinage value. Free coinage of silver (no profit to the Government) and the concurrent circulation with gold as unlimited legal tender and money of redemption will cure all the evils you have so ably portrayed, will make money less stringent, prevent the raids upon the reserves and the interference through the monetary system with every enterprise.

Free coinage of silver at its true ratio will enhance the price of silver far more than the free coinage at $371\frac{1}{4}$ grains, and silver monometallism. The proposition that silver will advance under free coinage at $371\frac{1}{4}$ grains to the value of gold, cannot for a moment be entertained.

The purchasing power of any silver bullion under free coinage, at whatever ratio to gold it may be coined, remains the same and does not diminish the available money; 1,000 ounces of silver coined at its bullion value has the same purchasing power as 1,000 ounces coined at $371\frac{1}{4}$ grains under free coinage.

The Democratic party and all true bimetallists have a right to expect you not to endanger the present campaign by this proposition of 16 to 1, which will be an injury to every one; while free coinage of silver at its true ratio would be a blessing and a forerunner of prosperity unequalled in the history of our country.

Do not put upon us the curse of silver monometallism! The country has already suffered enough. The farmer receives little enough for his wheat without having to pay for fluctuating money. The silver standard would force great suffering upon the farming interests, but bimetallism would reduce the competition from silver countries.

You cannot name one single advantage the coinage of 371 $\frac{1}{4}$ grains would have over a true ratio. With bimetalism you can be elected overwhelmingly and benefit the country; but on the silver standard, NEVER. Such is the public sentiment.

Very truly yours,

FRED'K WM. LUTTGEN.

NEW YORK, September 26, 1896.

Mr. WM. J. BRYAN,

Present.

DEAR SIR,—Many Democrats who do not agree with your extreme interpretation of the Chicago platform would yet like to be able to conscientiously cast their vote for you if they could be satisfied that you would undertake no arbitrary acts before Congress has an opportunity to legislate on the money question. The law of 1890 establishing the parity between the metals superseded or amended all previous laws, and is the law which you, as the executive, would make oath to administer.

It is fully conceded that no authority exists for issuing bonds, but other precautionary measures would be opened to you to maintain the parity of the metals. Pardon me, then, for making the suggestion entirely in accordance with your utterances, and which would aid very much in your election, that you state at Tuesday evening's meeting that in case of your election, until Congress convenes, you would endeavor to maintain the parity of the money metals as directed by the law of 1890, as far as in your power, and as far as this can be done without issuing further bonds, for which no authority exists, and that legislative power being vested in Congress and not with the executive, you would endeavor to carry out the spirit of the law of 1890, until other legislation should take its place. It is feared that you might by some radical action precipitate silver monometallism upon the country before the new Congress would have an opportunity to legislate upon the subject.

A few words from you on this subject would bring you many votes in States where you most need them. I congratulate you on your decided stand against National Bank

note circulation (not against national banks of deposits as opponents state), for no stable money system can exist where such circulation is permitted. Gold was exported this spring by speculators to break the stock and other markets, and every industry suffered in consequence. Gold is now permitted to flow back, and industrial activity is commencing to show itself.

Yours very truly,

FRED'K WM. LUTTGEN.

THE LUTTGEN MONETARY SYSTEM.

FRED'K WM. LUTTGEN.

27 WILLIAM ST., NEW YORK,

January 9, 1897.

To the Chairman of the Monetary Conference,

Indianapolis.

DEAR SIR,—I beg to call the attention of your honorable body, convened for the purpose of furthering the solution of our monetary problem, to the conclusion derived from ten years' practical study on my part of this question.

As a New York business man of experience, I probably represent the only one who has given so much time and thought to this subject.

The result of my labors I have formulated into a complete monetary system which provides on the basis of our present gold unit of value for the resumption and continued introduction of new silver into our monetary system, and provides for an outlet for the silver in settlement of international balances and in the use in the arts, etc., in concurrence with gold.

This system is entirely automatic, not subject to manipulation; will lessen panics and prevent future suspension of specie payments under all circumstances, and will maintain the gold standard uninterruptedly, enabling our Government to pay all its obligations in either gold or silver at option of holder.

The introduction of this system will not in any manner disturb or be detrimental to any interests, but will at once give confidence.

In its operation in protecting the gold reserve, the system will have a tendency to draw gold from abroad and thereby force the policy of other nations to adopt the same system also.

The system will admit of the continuance of the existing National Bank note circulation, and will offer equal if not greater advantages to the banks for the future and without cost to the Government.

The system provides for an elastic uniformly safe and sound currency, upon which the usual bankers and commercial credits may rest with confidence.

The system would finally settle the monetary problem, remove all agitation and fears of threatening silver monometallism.

I have thus briefly referred to the general features upon which my system is based in order to bring it to the attention of your honorable body that when your committee is appointed, the same may take it under consideration.

As a close student of the question, I have read everything that has been uttered on the subject during the many years of its active agitation, and have failed to recognize a single one who seems to comprehend the question.

Our present monetary system, if system it may be called, is based upon two great fundamental errors; unless these errors are recognized, no remedy is possible.

England has a fair monetary system, but it would be a poor system for us, absolutely inapplicable. The Luttgen Monetary System would give us a system superior to that of England.

I remain,

Respectfully yours,

FRED'K WM. LUTTGEN.

JUNE 15, 1897.

SYNOPSIS.

THE LUTTGEN MONETARY SYSTEM.

(Copyrighted.)

This system represents the final and absolute economic solution of the monetary problem, which has agitated this country practically since its existence, and which has been before the world for centuries.

To place the two metals of gold and silver upon a basis insuring their concurrent circulation, has been the problem to which the best minds for generations have been directed. As both metals are now used for the world's money to the fullest extent of their production, either metal alone would be insufficient as primary or redemption money for the requirements of commerce. This is fully demonstrated by the difficulty nations experience in their attempts to enter upon a gold standard, and by the difficulty even England, France and Germany experience to maintain their gold reserves, favored as those nations are, their money systems are imperfect.

One metal used as redemption money by some nations, the other metal used by other nations, creates fluctuations in exchanges, and does not produce concurrent circulation of both metals. A fixed ratio does not create bimetallism; when the ratio is near the bullion ratio, an alternating standard will be the result with its fatal fluctuations; when the ratio is materially removed from the market ratio, the cheaper metal will practically represent the standard permanently notwithstanding any legislation, and cause continuous fluctuations in exchanges with other nations which fluctuations represent largely a self-imposed tax paid to other nations; nor will a fixed ratio lead to the adoption of the same by other nations, but it will lead other nations in adopting and strengthening the gold standard, and will operate against the general use of silver as money. A nation holding the position of creditor nation might be successful in maintaining a gold standard based solely upon gold redemption money, but such a standard so based would be fatal to a debtor nation, a position the United States finds itself in. The attempt of Japan to establish a gold monometallic standard promises to be unsuccessful.

It would be impossible to maintain in the United States the gold standard based upon gold alone as redemption money without the recurrence of the frequent money panics of the past. The problem, therefore, has been to bring these two metals into such relation as to insure their concurrent circulation, by which both metals may be money of final redemption under a gold unit of value.

By introducing silver at its bullion value into our mone-

tary system, the Luttgen Monetary System will establish a stable money. Stability is the first element essential to sound money. It will place silver in a position not antagonistic to gold, as heretofore, but it will aid gold as a measure of value, and practically add to its volume, yet not depreciate its value for both metals are now employed, although upon a disturbed plan. This system will be prepared to continue to absorb both metals to the utmost extent of their production without endangering the gold standard.

The system will establish true bimetallism, and it will do this without the aid of other nations, but will force other nations by its operations to adopt the same system, or to suffer the loss of their gold.

This system will continuously admit silver as money the same as gold. Place it upon a position of money of ultimate redemption, and establish the ratio between the two metals by natural laws or on the markets of the world. It is automatic, and the merchant will understand its operation as perfectly as the Secretary of the Treasury. It will forever prevent the manipulation of the currency, and create a true, honest and stable money, under which every industry may prosper.

A system that produces no radical changes will not be disturbing or injurious to any interest, but will create confidence in the existing money. This system will unite the different factions on the money question, and the contest will then be true and honest money as against the National Banks.

A system protecting the reserve automatically would require no issuing of bonds, and will in no manner become a burden to the Government or the people.

This system will gradually recover to the Government the loss sustained on the present silver, and will not alone build up our mining interests, but will aid the farmer in finding a better market for his grain by removing the fluctuations in exchanges with silver-standard grain-producing exporting countries, which have been largely the cause of depressing prices.

The proper solution of our monetary system, as well as the world's problem, will place no restriction upon the conveniences of the people and be prepared to coin or issue gold, silver and paper in such denominations as the public

convenience may demand. Statisticians, impracticable from the nature of their employment, have suggested restricting gold to larger denominations, and even the same restriction on paper money that silver might enter into circulation. The Luttgen Monetary System enables silver to enter into circulation by preference on the part of the public.

THE TEST OF SOUND MONEY IS THE PRIVILEGE EXTENDED TO THE CREDITOR TO TAKE EITHER GOLD, SILVER OR PAPER AT HIS CONVENIENCE, AND THE ABILITY OF THE GOVERNMENT TO PAY EITHER AS DEMANDED.

Under this system silver will be legal tender to any amount, and the Government at all times prepared to exchange the same for gold.

When the silver coin under this system is shipped abroad or taken without the limits of the United States, it is so taken in final settlement, and can only be returned at its bullion value. This is practically the case with gold, for light-weight gold, regardless of the Government stamp upon it, would not be received. Under this system silver will receive the benefit of its more general use as a money metal, which it cannot receive under a fixed arbitrary ratio.

The existing money, whether of Government or National Banks, would in no manner be disturbed, but further extensions would be controlled by the system.

It will bring the National Banks' circulation under the Government control, and will prevent antagonism on the part of the National Banks, for it is entirely due to the opposition of the National Banks that popular confidence in Government money was for a time shaken.

The gold reserve will be protected by silver of intrinsic value, and not by the sale of bonds. Under this system the silver now in the Government vaults will find an outlet without loss to the Government.

This system will accomplish more for the human race than the various applications of steam and electricity.

Had, for instance, after the failure of the International Monetary Conference in 1892, Congress adopted the Luttgen Monetary System in the winter of 1892 and 1893, the savings to the people would have been thousands of millions of dollars. Let us suppose, for instance, that of the seventy millions of people sixty-nine millions at least have on an average lost through the money panics of 1893 to

1896 not less than \$100 each, whether in loss of wages, depression of products or investments, etc., this would represent \$6,900,000,000, an amount greater than the cost of the War and all deposits in banks, and the importance of the Luttgen Monetary System will be realized. The other million of inhabitants may represent those who were so fortunate not to have suffered loss, and the reckless speculators who forced these panics upon the country. With a loss perhaps far exceeding \$7,000,000,000, it is not surprising that a single schemer may have acquired upwards of \$100,000,000 during the period. Before such figures the tariff is a matter of but slight importance. An effort is now made by a clique to control permanently, through the National Banks, the monetary system of the country, this powerful instrument of making the masses pay tribute to the few, as the past years have demonstrated. It is the duty of every true American to frustrate this effort.

FRED'K WM. LUTTGEN,
27 William Street, N. Y.

NEW YORK, July 15, 1897.

The foregoing synopsis of the Luttgen Monetary System was mailed to the Chairman of the Indianapolis Commission, and the following acknowledgment received.

THE MONETARY COMMISSION,
WASHINGTON, D. C., September 28, 1897.

SIR:

I have received your typewritten statement of the Luttgen Monetary System, which will be laid before the Commission for consideration.

Thanking you for your suggestions, I am,

Respectfully yours,

GEORGE F. EDMUNDS,
Chairman.

FRED'K WM. LUTTGEN,
27 William Street,
New York City.

PART IV.

APPENDIX.

A MODERN FEUDAL SYSTEM.

The social condition of the United States at the present time is one of great unrest, and men are asking each other "how will it terminate?" The writer in his travels has frequently had this question put to him by absolute strangers, demonstrating the dissatisfaction with the order of things as they now exist.

The civil war resulted in the liberation of the black man, but under the cover of the nursed prejudices of the war, the "continued waving of the bloody shirt," a great majority of the white men were enslaved by the establishment of laws throughout the forty-five States of the Union creating industrial corporations, entering into direct competition with the individual in his struggle to make a living.

There has been since the close of the war too much legislation in favor of concentrated capital and the absolute abandonment of the principles of the Constitution guaranteeing to each man alike "liberty and the pursuit of happiness." By means of legislation a modern feudal system has been established in this country more oppressive than the feudal system of history. Almost every honest producer within the United States is compelled to pay tribute. The modern feudal lords are a class of men who may be compared to, and who, if they had lived in former times, would have been "Knights of the Road." They are the "Jesse James" of the West, except that they go further and influence the legislators to legalize their robberies. If Jesse James had had the power over the Legislature to make his acts legal, he would have been on a par with our promoters and reorganizers.

Some of the means through which this modern feudal system is enforced to draw tribute from the masses are the industrial corporations or trusts, many of which not alone oppress their competitors, extort from the consumers, but use their business as a pretense to unload upon the public watered stock absolutely valueless. Railroads are managed in the interest of the bondholder for the purpose of wrecking them and for the purpose of reorganization. This has become such a national abuse that legislation on the subject under the Interstate Commerce Law is imperatively demanded.

The United States Government some years since condemned the method of the Louisiana Lottery and refused the use of the mails to that corporation. It would be more important for the Government to take cognizance of the fraudulent securities put upon the markets by industrial corporations and by the reorganizations of railroads.

A commission should be appointed under the Interstate Commerce Law to pass upon the bonds and stocks of all railroads, and when found to have been issued without equivalent, the mails should be refused to all matter relating to them, whether as to their sale or market quotations. Such a law would make further transfers of these fraudulent securities to innocent holders difficult.

A law should also be passed under the Interstate Commerce Act that all railroads shall be controlled by the common stockholders, and that all bondholders as well as preferred stockholders shall lose their votes that they may be entitled to, as also holders of common stock.

It has of late been the custom on the part of reorganizations to put the stock of reorganized railroads in trusts for the control of bondholders ; this apparently is done with a view to prevent action on the part of the stockholders against any frauds in the reorganization scheme, and to enable bondholders to sell their watered securities without losing control over the road. Such trusts of common stock should be pronounced illegal, and no Exchange should be allowed to trade in such fraudulent securities. It is not only to the interest of the public at large, the holders of the common stock, that the road should be operated by them, but it is to the interest of the merchant, the manufacturer, the farmer and all those who travel by rail, that the

management should be economic, and economic management can only be attained when the control is in the hands of the common stockholders.

The railroads of the country for some years past have been managed by their creditors. It would be a poor business man, who, having paper on the market, would permit the holders of this paper to manage his affairs; he would soon find himself without a business.

When a railroad is not absolutely under the control of its common stockholders, States through which the railroad passes are warranted in establishing by law a maximum rate, and such right of each State under such circumstances should not be contested. The reorganizations of railroads should be thoroughly controlled by law. When a road is foreclosed in favor of any bond issue, all junior securities should be cancelled and the bond issue in whose interest the road is foreclosed should equally be cancelled, and should represent the stock of the railroad.

The present fraudulent practices of issuing bonuses to bondholders in preferred and common stock, issuing stock for accumulated losses of past years and issuing stock for the expenses of reorganizations should be prohibited by law. Such issues are against public policy; their object is to defraud. Such issues not alone draw the earnings from the producer seeking investments, but they are used to justify exorbitant freight and passenger charges. This practice has become of late years so general, that foreign capital is largely used in these nefarious schemes.

Where the public have not been reached and made to pay tribute through these railroad securities, stocks of industrial corporations have been employed, and combinations have seized for the same purpose, the street railroads in almost every town and village and issued watered stock to secure the hard-earned savings of the local mechanic and laborer.

It is these men who call the honest laborer, when protesting against his condition, anarchist and other similar epithets. The laborer, when suffering from want and hunger, may at times forget the rights of others, as, when on a strike, he interferes with the labor of non-union men, and although misled in such cases, he is not an anarchist; the true anarchist is the man who places these bogus securities upon

the market, and robs the laborer of the savings of his honest toil.

These combinations of capital, having practically exhausted the field, have now another scheme by which they propose to lay tribute for generations to come, and this scheme is termed "the refunding of railroad bonds." They take roads perfectly solvent, whose bonds may mature within ten or fifteen years, and renew the same for a period of perhaps one hundred years at a rate of interest far beyond that which the credit of the road would justify. This evil should also be met by a simple law, and this should be that no bond can be issued for a longer period than the period necessary for its accumulated interest to equal the capital. Under such a law, a 5 per cent. bond could be issued but for twenty years; a 4 per cent. bond for but twenty-five years, etc. This would enable a road to recover from the wrongs it has suffered through recent reorganization and refunding schemes.

That all existing bonds shall so mature at the option of the debtor when the interest paid, after the date of the enactment of this law, shall equal the capital.

Under the late administration these combinations became so bold as to even practice their schemes upon the Government; not only in the bond transactions, but also in connection with the various Pacific railroads. This question should be made a public question and voted upon at the next general election. These combinations sapping the very life of the nation would not be able to control one vote in ten.

A directors' meeting of some of our corporations with these watered stock issues represents more a den of thieves, yet these men mingle with upright business men.

Before the New York State Legislature Investigating Committee a witness stated that stock of his corporation had been issued for good-will, this good-will must have been the facilities afforded for placing valueless stock upon the public. Stock on which the business will never earn a dividend, and on which, through misrepresentation, a dividend may occasionally be paid for the purpose of fraud. In the reorganization of railroads, stock is issued for accumulated losses, for expenses of reorganization, for bonuses to the bondholder, all of which should be prohibited by law.

The honest producer of wealth, the laboring man, the mechanic, the farmer, having at great privations saved a portion of his hard-earned money and wishing to realize a little more than the ordinary savings bank interest is, under false representation, induced to invest his money in such watered securities to discover only too soon that his money is entirely lost.

The practice of putting upon the markets these bogus securities and the wrecking of railroads for the purpose of reorganizations has wronged many a family who were dependent upon the income of their investments of their all.

It has forced women and young girls into factories and into every branch of business; yet, more than this, it has caused a number of deaths through want and starvation.

The Louisiana Lottery claimed, and this has never been contested, to pay to the public $47\frac{1}{4}$ per cent. of the money received; but promoters and reorganizers return nothing to the public from the money that they receive. This feudal system extends through every branch of business and is aided by legislation. It is represented in the forfeiture by life insurance companies of the first year or two of premiums. It enters into our savings banks. The savings bank's source of profit is largely derived from the money of small depositors which is withdrawn before it is entitled to interest. Capital has taken advantage of this fact by depositing the largest limit received by the savings banks on the day the deposits commence to draw interest, withdrawing the same on the day interest is payable. By this operation we have another illustration of the feudal system making the necessities of the poor pay tribute to capital. A law should be enacted restricting the deposits monthly to one-sixth of the present maximum deposit received. During the past years of depressions, deposits of savings have fallen off materially, but they have been replaced by deposits from capitalists who are careful not to give the bank the use of their money a single day without interest. This practice has already materially forced down the rate of savings bank interest, and is an unjust tribute the poor are paying to the rich.

Another instance of the modern feudal system is the National Bank note. This note has no reason to exist. It is secured by Government bonds on which the interest is

paid by the Government, and forced out of the pockets of the people. It gives an insecure currency, endangers the reserve, and places the entire circulating medium within the power of speculative capital, and thus the farmer has to pay tribute in the low price of his grain, the manufacturer in the price of his products, the miner, the merchant, the laborer; in fact, none escape paying tribute when the currency of the country is being manipulated. Even the frequent changes in the tariff represent another feature of the feudal system. The tariff is advanced, and heavy importations are made in anticipation of the advance on which the Government does not receive additional revenue, although the people have to pay the advance. It has been stated in Congress that the recent importations of wool, for instance, are of such enormous magnitude that further importations, until the year 1901, will, in comparison, be merely nominal. We have here importations the consumption of which will extend three or four years into the new tariff, yet the Government will receive no benefit therefrom.

On the first day of January, 1893, there was in the	
Treasury of the United States, inclusive of the	
\$100,000,000 of gold reserve.....	\$170,313,967 46
Bonds have been sold, from which have been	
realized.....	293,454,286 74
	\$463,768,254 20
On October 31, 1897, there was in the Treasury...	
	207,756,099 71
Deducting this from the above amount, we have..	
	\$256,012,154 49

as the amount spent since the first-named date for deficits in the revenue. This \$256,000,000 represents an amount which, through Government influence, has been taken out of the pockets of the people and placed in the pockets of speculators. It represents the duties on the importations in anticipation of the changed tariffs; but this does not represent all that the people have thus paid within the last few years, for we have had three different tariff bills lately, while the period here named covers but two. That the people have lost this \$256,000,000 is proved by the estimates made for all the recent tariffs, namely, that they would be sufficient to provide the required revenue after being a few

years in operation. This explains also the great struggle over any new tariff bill.

A simple remedy for this evil would be that when it is proposed to change the tariff on any article, whether to increase or decrease the duty, such changes should be gradual, and not exceed 5 per cent. per year. It is not right to impose duties on the people, and practically allow these duties to be collected by individuals for their own benefit.

TARIFF.

The tariff systems in vogue since the War have been one of the greatest drawbacks to prosperity. This country, with its enormous wealth, enterprises and independence, should have a tariff drawn up in a few lines, establishing a uniform percentage of duty on all manufactured goods, say, for instance, 55 per cent. the average of the Dingley Bill. Another rate of duty for half-manufactured goods, say, 27½ per cent., and all free goods to pay a duty of 2½ per cent. to cover the necessary expenses of the Custom House, etc. All raw material upon which no labor has been expended, except that absolutely necessary for transportation, should be admitted against a nominal duty of, say, 2½ per cent. Changes from present tariff not to exceed 5 per cent. per annum, or when such changes exceed 50 per cent. of value, one-tenth of such change to be effected annually.

In cases where specific duties are advisable to protect against fraud, such specific duty to be based on the *ad valorem* duty of the standard quality of the article. Articles subject to revenue taxation should have the general duty increased by the revenue tax. Any exception deemed necessary to the general rule should be passed by a separate Congressional bill for each article. A 1 per cent. rebate on the invoice cost should be given to the importers on importations in American bottoms. Should it be found that the revenue derived from the tariff is either in excess or below requirements, a general reduction or advance of perhaps 2½ or 5 per cent., from time to time, would in no manner disturb business, nor enable speculators to drain the public. A tariff law of this nature would require no reciprocity treatise, for its nature would not give offense to any nation. Nor should the Government take cognizance

to any export bounties paid by any nation. Such bounties are strictly internal affairs of such nations, with which we have no right to meddle. An export bounty on the part of any nation to trade with us should be looked upon as a friendly act of such nation, rather than otherwise. But it is a policy which the United States should never adopt in her own exportations. The duties upon raw material represent another feature of the modern feudal system. They favor the established manufacturer by placing the cost of manufacture upon an artificial basis, and thereby discourage new competition or the erection of new factories. It will thus be seen that taxing raw material operates against the laborer. No drawbacks should be allowed under any circumstances, for they represent export bounties.

INTEREST.

Another feature of the modern feudal system is established by legislation through the different State laws on the subject of legal rate of interest and usury. The laws of the different States uphold a higher rate of interest than the ordinary average market rate. Take, for instance, New York State, the legal rate of interest being 6 per cent.; in consequence, the small borrower, as well as the general business man having a running account, is charged 6 per cent. interest when, but for this law, in many instances he would be charged but 3 or 4 per cent. interest. It would be to the interest of the borrower that all usury laws were abolished. If States were to pass a law making 3.65 per cent. the legal rate of interest in case where no contracts to the contrary had been made, and making all contracts at a higher rate of interest terminable at six months' notice on the part of the borrower canceling all usury laws, such States would enjoy a lower rate of interest than at present. In case of default no unpaid interest exceeding 3.65 per cent. should be permitted to accumulate for a period greater than one year. It should be noticed that all legislation has been in favor of capital and against the laboring man and producer. The period has arrived in this country when capital must be allowed to take care of itself; nor must it be taxed, for it is the means by which labor can attain its object, and such fallacies as the income tax of the Wilson Bill or the proposed tax on transfers of stocks and bonds should be aban-

done. A new source of revenue to the National Government should be found, however, in the taxing of industrial corporations and the non-dividend paying watered stocks of railroads; and this has particular reference to street railroads, a channel through which tribute is being collected from the local masses who could otherwise not be reached by bogus securities.

All industrial corporations should be taxed on their full capitalization whether represented by bonds, stocks or borrowed moneys, to the extent of say 2.55 per cent annually.

All railroad securities of railroads not paying dividends on their common stock and receiving more than 3.65 per cent. per annum as interest or dividend should be taxed to the extent of 2.55 per cent. on the non-dividend paying stock. The object should be that the tax on the non-dividend paying stock is paid by the senior securities receiving more than 3.65 per cent. per annum.

Legislation appears to be controlled by these corporations to such an extent that without a general law under the Interstate Commerce Act, their abuses it seems impossible to check.

The recent trial of the Tobacco Trust proved an absolute farce, for among the jury were allowed to be a member of another corporation and a broker dealing entirely with corporations. These two members disagreed with the other ten jurors, and the trial proved a failure.

Legislation also sanctions an evil far greater and more demoralizing than any lottery; that is, horse racing. Men of means raise horses for this purpose, and while they do not directly take the bets of the office boy and of all those who cannot afford to risk money, they, however, take this money indirectly through the "purses" which they receive. They are practically jobbers in petty gambling; and this illustrates another method of the modern feudal system for making the masses pay tribute to the few. The betting at horse races is a national evil and more corrupting than any other influence.

WAR PREJUDICES.

Under prejudices arising from our late war, which were especially nursed by the Eastern States, as well as some of the farming States of the West, legislation in favor of con-

centrated capital was obtained, which legislation could never have found its way upon the statute books but for this controlling prejudice.

The East has been sadly punished for this spirit by the shrinkage of their investments through reorganizers and other methods; the West has likewise suffered through the manipulation of our money, and the watering of railroad securities, upon which watered securities a profit is demanded through higher rates of freight.

The Nebraska maximum freight case is an outgrowth of this condition and represents a question to which there are two sides and which our courts will find it very difficult to determine.

The promoter tells us that industrial corporations represent the natural evolutions of commerce; such, however, is not the case, for evolution means progression and would indicate prosperity; but if we look at the daily papers for the quotations of stocks of some of our industrial corporations, we find of those ordinarily dealt in, in the New York Stock Exchange, the following:

American Cotton Oil, valued about.....	20
“ Spirits, “	9
“ “ preferred, valued about.....	25
Consolidated Ice, valued about.....	35
General Electric, “	32
National Lead, “	32
“ Linseed Oil, “	15
U. S. Leather, “	7
U. S. Rubber, “	16

representing upwards of \$200,000,000 of non-dividend paying capitalization.

This list could be enlarged to many times its size and yet would represent but a small proportion of the stocks of industrial corporations on which no dividend is paid. Such a condition proves that these corporations are not the natural evolution of commerce; but, on the other hand, would signify a degradation of commerce.

These industrial corporations seem to be organized for the purpose of placing upon the market a lot of valueless securities to enable the promoters to manipulate the same, and through such manipulation defraud the general public out of their moneys.

Such stocks of industrial corporations should be treated in the same manner as the lottery tickets were treated by the general Government. The mail should be closed against all transactions of the same, as well as against all newspapers quoting their value. These corporations are a drain upon the public far greater than the wildest lottery scheme could ever become.

SOCIALISTIC DOCTRINES.

Under the present laws socialistic doctrines are carried out in practice by men of capital, which doctrines when advocated by those suffering under this modern feudal system are denounced as anarchistic, such, for instance, as the use of money without paying interest therefor. Many of our industrial corporations have outstanding bonds, preferred stock and common stock; the bonds to secure the promoters, the preferred stock to monopolize any possible profit, and the common stock to take from the public money without paying interest therefor. Such corporations are controlled by the senior securities, the owners of which pay themselves, in addition to interest and dividends, exorbitant salaries, and have, according to the magnitude of the corporation, the use of perhaps many millions of dollars from the public represented by common stock on which no dividend or interest is paid. Here is represented another of the great prevailing evils which oppress the laboring man, and as a natural consequence forces their strikes and stagmates industry.

Laws should be passed under the Interstate Commerce Law as well as by each State separately, that all corporations must be managed by the common stockholders, that preferred stockholders can only have a minority representation, and that such stockholders must not own any senior securities. The laws should also limit the salaries of the officers when no dividends are paid on the common stock. No officer in any corporation paying no dividends on common stock should receive a salary exceeding \$3,000 per annum, until such time when dividends may be paid.

The great evil as regards our railroads, and in consequence of which rates are manipulated and are often oppressive, is that the management is in the hands of the creditors of the roads or bondholders.

We have to-day many reorganized roads whose stock is held in trust by the bondholders for voting purposes. Such management should be illegal, and exchanges should not permit such stocks to be traded in on their boards. There is no country on the face of the earth to-day so over-ridden with this corporation evil as the United States.

Men who call themselves bankers are mere schemers to defraud the public. This country has gone through two wars for causes trifling in comparison with the conditions that now threaten us, and legislation should at once be enacted to relieve the masses for the future safety of our Republic.

The evils of the reorganizer and promoter are not difficult to overcome if the question is made a National issue. These men would not be able to influence one-tenth of the popular vote, and when these questions are decided by popular vote, legislation would be sure to follow.

BANK NOTE CIRCULATION.

The efforts now being made by the banking interests to secure the note circulation of the country represent the greatest danger to our future prosperity. Many of the individual banker's views, published in answer to questions from their Commission now sitting at Washington, are extremely conflicting. They, however, all have the common aim to benefit themselves at the expense of the public.

Why the Greenbacks should be selected by them as a special object of attack is not intelligent, for these Greenbacks form but a portion of our circulation, all of which has been declared by law to be equal and to be maintained on a parity.

We have at present in silver, silver certificates, Greenbacks, Treasury notes and gold certificates, about \$1,000,000,000 of Government circulation. The position of this would not be changed if it were reduced by \$200,000,000 of Greenbacks now uncovered, or even by the total issue of \$300,000,000 or more, the exact amount at present outstanding due to their destruction being unknown. The \$346,000,000 originally issued, it may be safe to estimate have been reduced at least one-fourth of 1 per cent. per annum through accidental destruction; this would aggregate about \$25,000,000, leaving about \$320,000,000 outstanding. If these were withdrawn there would yet be outstanding

about \$700,000,000 of Government currency all to be maintained on the gold standard. In addition to this there are at present \$250,000,000 of National Bank notes redeemable in legal tender money, therefore practically redeemable by the Government in gold, making a total approximating \$950,000,000. It will be seen that our currency is such that a gold reserve must necessarily be kept by the Government.

The proposition to issue bank notes for the \$320,000,000 of Greenbacks to be retired, and that these bank notes shall be payable by the banks in gold, endangers the Government gold reserve. The bankers say that it is imperative that all United States legal tender notes should be gotten out of the way. This means that \$1,000,000,000 of United States currency must be gotten out of the way, for this currency is all legal tender.

The danger of authorizing a new bank issue redeemable in gold by the bankers would be a justification given to the banks to hoard gold, and consequently endangering the Government gold reserve.

In my publication of July 12, 1893, I advocated the establishment of branch banks. These banks should be more in the nature of branch offices of the parent bank, and there should be no restriction as to the location of such branches. To limit such branches to centers of but a few thousand population betrays no knowledge of banking or the requirements of the country. The only limitation that should be imposed on the establishment of such branch banks should be of capital and surplus and the time of its existence; for instance, no bank should be permitted to establish branches except after five years of its organization and then, say, only one branch to each \$500,000 capital or surplus.

If any State in the Union should require more banking capital, and such capital is provided through branch banks established in its principal commercial center, local institutions will be enabled through the ordinary course of banking to distribute such facilities throughout the State. It is a mistaken idea that the West and South would derive greater banking facilities if local banks were permitted to issue currency. It is not this currency that is wanted, but the capital from our larger financial centers.

A promiscuous bank note circulation is one of the greatest evils that could befall our country in the future.

BUCKET SHOPS.

Bucket shops representing another method of draining the public have sprung up throughout the country, and they are a natural sequence of the work of the reorganizer and promoter.

The general public is almost always disposed to buy, or, in other words, to be bulls on the market, and are also inclined to purchase the low-priced stocks. Sharp men, recognizing this tendency on the part of the public, and also fully recognizing the worthlessness of stocks that have passed through the reorganizers' hands, have not lost the opportunity of establishing bucket shops throughout the country.

These establishments are organized and based upon the principle that the majority of the low-priced stocks are worthless and must necessarily decline after every speculative advance; in other words, that the public will lose money whenever they purchase these stocks.

Another feature favoring the creation of bucket shops is that our New York Stock Exchange does not deal in less than one hundred share lots, while the transactions in bucket shops are mostly in lots of ten shares. It is true our smaller Exchange deals in fractional lots; but, due to a pernicious practice among some of its members, their customers are unable to obtain the market quotations for stocks in which they deal.

It is a custom among the Exchanges when in the absence of one broker, he gives the orders of his customers to another broker for execution to pay a commission to each other, say, \$1 or \$2 per one hundred shares. In the smaller Exchange, to avoid the payment of this commission to each other, some unprincipled brokers allow their substitutes to take the transactions of their customers for their own account, and in these transactions the customer is generally wronged from $\frac{1}{8}$ to $\frac{1}{4}$ per cent. The substitute in return gives the first broker the same opportunity of defrauding the substitute's customers. These fraudulent transactions the brokers term "love orders." The Exchange should take cognizance of this practice and see that it is stopped. It is a deliberate robbery. Let the Exchanges stop dealing in watered non-dividend paying securities and in stocks in voting trusts, and put a stop to all irregular transactions among its members, and the bucket shop will have no longer cause for its existence.

UNITED STATES TREASURY OFFICIAL
STATEMENTS.

The Treasury affairs of the Government have never been in more incompetent hands than in the late Mugwump administration. We find in the Treasurer's reports, as, for instance, for the year 1894, on Page XV, the total stock of money given as \$2,200,000,000, and the stock of money outside of the Treasury as \$1,700,000,000.

The Secretary of the Treasury estimates in the total stock of money, as money, both the silver and the certificates representing the same. It is no wonder that said administration raided the gold represented by the outstanding Greenbacks.

The Secretary of the Treasury, not satisfied with this general statement of total stock of money, enters further into details, and gives the *per capita* of this fictitious money as equal to 32.53. This shows an incompetency that is dangerous to the welfare of the business community. We find the same or even a worse misrepresentation in the report of the Controller of the Currency for the year 1896 on page 108. The Controller gives the cost to the Government for continuing the Greenback circulation at \$339,000,000. This statement drawn up in a public report is an insult to common sense; it is the result of an erratic brain, and there should be means to remove from office any one who is in the slightest degree connected with this publication.

It is hard to conceive how a banker can take the author of such a report seriously; yet we find the oldest New York bankers cringing before a stripling, simply because he holds a public office, but these bankers are endeavoring to wrong the public by monopolizing the circulation.

The position of the Greenbacks is simply this: the Government has saved thereby annually \$10,000,000. This represents the savings to the Government since the Greenbacks were first issued, and if National Bank notes had represented this circulation, the people would have had to be taxed \$350,000,000 additional for the benefit of the National Banks. The Controller's figures are simply rubbish, but betray the influence of the National Banks for the purpose of creating public sentiment.

PANICS.

During several political campaigns of the past, the Republican Party has been charged with the manipulation of the tariff to favor certain manufacturing and importing interests; but in 1892, evidences appeared that the Democratic Party, as it was then constituted, strengthened by the adventurous element of the Republican Party, was about to inaugurate a system of actively manipulating the money of the country by means of which greater favoritism could be shown than by the tariff manipulations of the Republican Party.

When the success of the Democratic candidate became apparent, thinking men trembled for the future of our country, and their worst fears were realized during the Mugwump administration. This country has never gone through four years so fatal as those from 1893 to 1897, and the apparent losses to the Government are insignificant compared to the losses sustained by the people through the manipulation of our money.

The panic of 1893, entirely artificial or forced, showed its first premonitory symptoms in the fall of 1892. The initial steps toward creating this panic were apparently brought about by the parties in opposition to the Reading Railroad consolidation scheme. This scheme was intended to be floated on the tide of a prosperous Centennial year in 1893, but the influence of the opposition was used with the banks to contract loans, and, aided by the failure of the Brussels Conference, newspapers were employed to decry the silver dollar by quoting its bullion value from day to day. For some time previous to this period gold had been manipulated to influence the stock markets. This power formed another aid in producing the panic, and in the struggle of the National Banks for circulation further support was obtained for the efforts to create distrust.

The element which left the Republican Party, together with the adventurous element of the Democratic Party, succeeded in electing their nominee in November, and the financial destiny of the country for four years was virtually in their power.

The year of 1893 proved to be the most disastrous single year in the history of the country. The credit of the

Government was attacked, distrust created everywhere, under which some of the largest and most prosperous enterprises broke down.

The originators of this panic and their associates reaped enormous profits. Trust companies and banks connected with this movement made profits unparalleled in previous years; but this was not all, the interference of the executive, through the power of patronage, with the legislative branch of our Government, threatened to pull our Government down to the level of some of the Latin Republics south of us, where internal strife through the greater power, vested in the executive, is not of uncommon occurrence.

Our Government credit suffered materially during this period. This was fully attested in the sale of bonds in the succeeding years. Every means of misrepresentation of truth was employed to intensify the panics of 1893 and 1896. When the administration in 1893 attempted to coerce Congress, some of our New York papers came out with prominent head lines "Abolish the Senate!" for the Senate held out in its endeavor to protect the public. The clamor became so great that even the Senate was finally compelled to submit, but it was only induced to abandon the struggle against the practical demonetization of silver by the declaration that the policy of the United States should be to continue the use of both gold and silver as standard money, and to coin both gold and silver into money of equal intrinsic and exchangeable value; but no attempt has been made since the repeal to carry out this promise made to the Senate and to the public. After the repeal of 1893, the situation was entirely controlled by speculative capitalists who "made and unmade" as they pleased.

Gold was exported and withdrawn from the Government to force the Government to issue bonds against which bank circulation could be issued, and through this bank circulation other money was realized and further demands for gold made upon the Government. In this wild operation, capitalists appear to have had the full sympathy of the administration, and practically ordered the Government to do its bidding. Of the bond transactions two are deserving of special notice. The sale of February, 1895, not attracting particular attention at the time, was brought back to popular notice by an article in the *Yale Review*

of May, 1895, which article was furthermore published in pamphlet form for general distribution. This publication had more the character of an apology for the enormous profits made by the syndicate on that transaction; but it betrayed that these profits were unexpected, for it would seem that a low price for the coin bonds was made in order to coerce Congress to authorize a bond payable in gold. The difference to the Government of \$16,174,770 was expected to force the issue of gold bonds, and the public commenced to realize that said bond transaction had been more a conspiracy to force class legislation in favor of the bondholders at the expense of other Government creditors.

Coin bonds bearing the same rate of interest, having a shorter time to run, therefore of less value, were selling in the market at $7\frac{1}{2}$ to 10 per cent. higher, which would seem that the syndicate did not anticipate having its offer accepted, but expected to force Congress to issue a gold bond, and the astonishment at the success of its own cupidity seems to have been the motive of the publication of the article in *The Review*.

During the interval between this bond sale and the final bond sale, speculative interests even dictated to the Government the selling price of its bullion to further exportation. In the final bond sale an amount so far beyond even the sentimental requirement of the Government was sold that the proceeds in gold exceeding the \$100,000,000 limit have remained in the Treasury to this day at a loss of heavy interest.

It was stated by some of our senior Senators on the floor of the Senate that the executive was engaged in speculation and had accumulated great wealth. This would seem hardly possible in view of the enormity of the crime that it would represent. American history has fortunately not yet produced such a character. If the executive who had been thrice nominated and twice elected to the highest office of the nation had been engaged in speculative ventures during the term of his administration, Benedict Arnold would no longer be the bane of American history. If the Senators who made reference to this subject had had positive information, the executive should have been impeached for misdemeanor in office before his term expired.

THE CAMPAIGN OF 1896.

During this campaign the monetary question formed the principal issue. It is, therefore, well to look at the different party platforms to understand the true sentiment of the people. The St. Louis platform declared against the free coinage of silver except by international agreement, and that, until such agreement can be obtained, the existing gold standard must be preserved, and further declared that all our silver and paper money must be maintained at parity with gold, and that the present standard must be maintained. This declaration of principle is very ambiguous. It declares for the present standard, yet agrees, by an international agreement, to a change of standard. Sound money is not a subject for international agreement, but is created by each State independent of every other State. The money created by an international agreement would be a fiat money and more unstable than if created by one State alone.

The St. Louis Convention was controlled by eastern speculative interests and the money plank was drawn up to be meaningless for the purpose of retaining control over the currency of the country to further speculation.

The Chicago platform declares to be "unalterably opposed to monometallism." When this plank was adopted, it was considered that the money question was fully covered and that there could be no misunderstanding as to the principles of the party; but as party platforms are never consistent and drawn up more to conciliate different sentiments, we find added the demand for the free unlimited coinage of both silver and gold at the present legal ratio of 16 to 1. This is not only in opposition to the first declaration, but is an utter impossibility. The free coinage of both gold and silver at the ratio of 16 to 1 or any other fixed ratio has never existed in practice nor ever will exist. Such a law may be placed on the statute books, but it will create monometallism of either one metal or the other, with all its attendant fluctuations and manipulations.

The candidate of the Chicago Convention defeated himself and elected the nominee of the St. Louis Convention by discarding the clear and emphatic declaration that "the party was unalterably opposed to monometallism." The



strongest feature in favor of the Chicago platform was the discarding of the Mugwump administration, which party subsequently held their convention in Indianapolis. The candidate of the Chicago platform has wronged his party by a personal interpretation of the platform and thereby causing it to suffer defeat.

We have now seen that both money planks of the two great political parties are contradictory, and were drawn not to further the settlement of this vital question, but to draw votes.

The Mugwump convention representing the then administration, National Banks and speculators, met at Indianapolis. Their declaration on the money question is exceedingly illogical. It declares that gold is a necessary money of large affairs, and silver of minor transactions. We have here a declaration of the principles advocated during four years from '93 to '97, and furthermore practiced particularly by the National Banks forming the New York Clearing House, to make the United States bonds, Greenbacks and Treasury notes payable in gold and to let the silver take care of itself.

The Mugwump tells us that silver is for minor transactions, in other words, for the poor man, who does not count. There cannot be any honest money that does not place both metals upon a basis interchangeable and acceptable in final redemption. This party, true to its record, is attempting to foist upon the nation a bank note currency. The experience we had prior to the war should frustrate any such efforts.

STATE BANK NOTE CIRCULATION.

Following the failure of four banks in Albany in the spring of 1861, the *Bankers' Magazine* said: "A radical change in the banking system is required in this and particularly in the Western States," and it speaks of the New York county banks as "mushroom concerns," and says "the recent course of events in Illinois, Wisconsin and Missouri has demonstrated more strongly than ever the insecurity of the bank note currency of these States, and of every State where bank notes are issued on the security of State bonds."

This was the verdict on the bank note system current immediately prior to the war, and which system then fortunately ended. If there had been no war, the banking and currency system of the country would have been a pressing and distressing problem. We find no record that the system then in existence was considered satisfactory by any. In 1862 there were 1,500 banks, and upwards of 1,200 of these had been counterfeited. There were upwards of 1,800 varieties of imitation notes, more than 3,000 alterations, and about 1,700 varieties of spurious notes. Bank notes were bits of paper recognizable as a specie by shape, color, size and engraved work; any piece of paper which had this appearance came with a prestige of money, the only thing in the shape of money to which the people were accustomed. Any person to whom these were offered, unskilled in banking, had no choice but to take them. We have here an illustration of the evil of authorizing corporations whose authority and existence are derived from the State to issue circulating money. Such issues seem to bear to the masses a certain guarantee which does not exist.

To obtain a better idea of the reckless banking which existed prior to the war, we find that in the years immediately prior to the panic of 1857 the loans of the banks within the United States would exceed on an average about 15 per cent. the combined capital and deposits, due to the wild, insecure circulation. This condition of the banks existed until the commencement of the war.

This is the condition that the opponents of the Greenbacks wish to bring about again. In 1861, immediately prior to the war, a similar condition yet existed. There were then 1,600 banks with a capital of \$425,000,000; \$250,000,000 of deposits and \$690,000,000 of loans, and a circulation of \$200,000,000. Due to the bank failures in 1857 and the following years, a depression in business existed which, notwithstanding the rich harvest in 1860, could not be lifted. While speculation at times flourished, there was a prevailing depression in all industries similar to that existing at the opening of the present year. To this depression the actual outbreak of the civil war may be attributed.

INDUSTRIAL CORPORATIONS.

There are forty-five States within the United States, and the legislators of all have tried to excel each other in passing laws favoring industrial corporations as against the individual and copartnership enterprises. Promoters and men of capital, entirely unacquainted with the details of the industries which they have managed to control and monopolize, obtain a charter from a State entirely removed from their business operations or their own residences. Such action on its face is fraudulent, and many of these corporations are formed, as far as the incorporators are concerned, as a pretext for the manipulation of the stock and the foisting of this stock upon the public.

Prosperity of manufacturers is indicative of the wealth and independence of the country, but these corporations demoralize the manufacturing industries. A founder of a large manufacturing enterprise is aided by his competent assistants; on his death, the business, in place of descending to those who assisted him in building it up, falls into the hands of the promoter, into the hands of men who will at once discharge these assistants, the rightful successors to the business, and use the business for stock-jobbing operations.

As stated, it is only recently before the New York State Legislative Committee that one of the witnesses stated that the common stock of a corporation was given for good-will; the good-will in this case must have been the opportunity for "stock jobbing"; for the watered stock forbids the idea of the common stock ever attaining any value. All industrial corporations of whatever nature, whether termed trusts or not, are against the interests of the people, and threaten the very foundation of the Government.

These industrial corporations and all industrial combinations may be compared to a "double corner," for they not only corner the article, but the very production of the article, and, therefore, are more destructive than the temporary corners that may at times be forced by speculators. Such corporations must not be classed with corporations that aid the individual in his calling. Our Constitution guarantees liberty to all alike, yet under its laws a modern feudal system is established through these

industrial corporations which enslave the individual and force him to pay tribute. The promoter of these combinations is fond to quote in defence of his schemes oppositions on the part of the masses to improvements in labor-saving machinery, etc. The American laborer and mechanic is too intelligent to express any opposition to machinery which increases the value of his labor.

In the early history of our country, the enterprising merchant and manufacturer devoted his attention strictly to his business, and not to stock jobbing, with the result that the American sailing vessel was found in every quarter of the globe. An honest man will conduct his business under his own name, or copartnership name, and would not force upon the public an interest in his business under misrepresentations.

We have to-day industrial corporations who have issued bonds, preferred stock and common stock, the managers, owners of bonds and preferred stock, paying themselves high salaries in addition to the interest and dividends, and thus defrauding the general public, which is holding the common stock, even of the interest on its money.

It is a common practice on the part of the promoters of industrial corporations to quote the Standard Oil Company as having benefited the public in the reduction of the price of oil. This reduction is due entirely to other causes, and but for the existence of the Standard Oil Company the price of oil to-day would be less than it is, which fact is proved by the measures the Standard Oil Company takes in different localities to suppress competition.

A law should be passed under the interstate act compelling every industrial corporation to offer the same price throughout the United States, subject only to the differences in transportation charges. There is no country on the face of the earth more oppressed with industrial corporations than the United States, for the simple reason that they are formed here under forty-five different laws, while in other countries, though they exist, they are subject to uniform laws. In the United States a single State like New Jersey or West Virginia will practically control in any one industry the entire United States.

PROFIT ON NATIONAL BANK CIRCULATION.

For many years attempts have been made by the National Banks for increased circulation and reduction of the present tax. Statements have been made by employees under the last administration that the bank circulation, notwithstanding that it represents a loss to the Government of at least 4 per cent. per annum on a circulation properly belonging to the Government, at present exceeding \$250,000,000, that the banks were not deriving much benefit therefrom.

The 4 per cent. bonds sold by the Government in February, 1895, at about 104 $\frac{1}{2}$, represent a rate of interest of 3 $\frac{3}{4}$ per cent. The same are deposited with the Government for circulation, and for each \$100,000, there is issued \$85,000 in circulation.

The banks first receive 3 $\frac{3}{4}$ per cent. interest; in other words, \$3,750 per annum, the additional $\frac{1}{4}$ per cent. interest liquidating the premium paid; but the issue of \$85,500 of money qualified to act as reserve enables the bank through the ordinary banking operation of loans and redeposits to extend its loans to the amount of \$342,000, and to a still greater amount where less than 25 per cent. reserve is required. If these loans are made by the bank at the rate of 6 per cent., the bank would derive an additional profit of \$20,520, making a total of \$24,270, gross income. From this to be deducted tax on circulation, \$900; redemption charges, \$73.52—total, \$973.53, leaving a net profit of \$23,296.47 as the annual income resulting from the deposit of \$100,000 in Government bonds, representing over 22 $\frac{1}{2}$ per cent. To recapitulate:

The circulation against \$100,000 in bonds.....	\$85,500 00
Interest 3 $\frac{3}{4}$ per cent. at basis sold.....	3,750 00
Less—Tax on circulation.....	\$900 00
Redemption charges.....	73 53
	\$973 53
This amount paid by the Government, net.....	\$2,776 47
Interest on loans as above.....	20,520 00
Making a total as above stated of.....	\$23,296 47

The \$2,776.47 should not be paid out by the Government, the banks deriving through a sound monetary system such large profits that the interest on bonds deposited for circulation should cease until the circulation has been redeemed.

It may be said that the individual bank has not the opportunity of deriving the full benefit from the increased loans, but we will consider the question entirely disconnected from the question of loans. The \$100,000 in bonds cost \$104,500, issue of \$85,500, leaving \$19,000 as the capital invested by the banks. Three and three-quarters per cent-interest equals \$3,750 ($\frac{3}{4}$ per cent. allowance for premium paid); tax, 1 per cent., \$900; expenses, \$73.53; deduct \$973.53, leaving \$2,776.47 as the income from an investment of \$19,000, with a repayment of principal to the extent of \$250 per annum, or upwards of 15 per cent. This would leave the profit on loan of \$342,000 to be shared with other banks as circumstances may warrant. These profits in either case more than cover any fluctuation in the market value of these bonds; but as this bank note circulation is a disturbing element in the monetary system of our country, no further increase should be allowed except under such restrictions as may be made necessary to maintain proper reserve, and then only on surrender of interest on bonds.

The New York Clearing House Banks, as per statement of October 23d, have on deposit \$617,000,000; loans, \$562,000,000; and a circulation of \$16,000,000; a surplus reserve of \$23,000,000. Without this circulation of \$16,000,000, and to maintain the same surplus reserve, their loans, as well as deposits, would be materially less. To surrender the interest on the bonds deposited as security would not materially effect their income. The reserve held by banks should be of Government money only. If our National Banks would show a little loyalty, not alone to the Government and people, but to their depositors, they would not antagonize a stable money any longer,

The New York Clearing House Banks have agreed not to offer or accept silver certificates in payment of balances, a practice that should be brought to the attention of Congress.

BILLS BEFORE CONGRESS.

In answer to a statement which appeared in the newspapers that the Committee on Banking and Currency invited suggestions from business men, I addressed the following letter to the Chairman of the Committee:

"NEW YORK, Jan. 28, 1896.

"Dear Sir:

"Being engaged ardently since many years in working for a solution of the monetary question, I have completed a system which I feel confident will meet the approval of your Committee. I shall have the honor of submitting same to you within thirty days.

"The system will give the people the advantages of the circulation, offer to the National Banks increased opportunities, rehabilitate silver, and establish the gold standard upon an absolutely firm basis and enable the Government to meet every demand in gold.

"The system will make it advantageous to the banks to deposit their gold with the Government and to hold the coined silver in their vaults.

"The system guarantees an outlet for silver, not only temporarily to the vaults of the banks, but for export or for settlements of balances abroad.

"As some time must elapse before our money system can be perfected, and as no currency system can be secured except based on bullion reserve, permit me to suggest, to protect gold reserve, that future issues of National Bank circulation be made to depend upon the \$100,000,000 reserve being intact. This would be a step towards making our circulation self rectifying.

"Respectfully yours,

"FRED'K WM. LUTTGEN."

After writing the above I received a copy of a bill before Congress, introduced by the Chairman of the Committee on Banking and Currency. Attached to this copy was an extract from *The American Banker*, of January 8, 1896, in which the astounding statement was made that the Chairman of the House Committee on Banking and Currency had stated that the Committee would not attempt to intro-

duce new rules for controlling the banks in any bill they may report.

It is impossible to conceive how a representative and chairman of one of the leading committees can make such a statement, which statement would imply that the National Bank interest had practically control of our Government.

On receipt of this statement I abandoned the idea of submitting my work to the Committee, as then constituted, until a change of sentiment should prevail. The bill itself is more astounding than the statement contained in *The American Banker*.

It proposes to issue to the banks a legal tender greenback, payable in gold, or, as expressed, "in coin of intrinsic value," in exchange for any of the present existing money, but not to exceed in amount the capital of the bank.

It further proposes to issue additional legal tender greenbacks, to an unlimited amount, to these banks, against a deposit of miscellaneous bonds, whether railroad or otherwise, acceptable to the Secretary of the Treasury.

It furthermore provides for a bank issue of currency notes, termed in this bill "reserve notes," not to exceed in amount the reserve held by the banks, nor exceed the amount of treasury notes issued against money, nor combined exceed the capital of the bank. A bank under this bill can therefore issue notes to the extent of its capital, and, in addition thereto, whatever amount the bank may desire, secured by miscellaneous bonds.

This bill provides, in place of the banks supplying a redemption fund, as under the present law, that the Government shall practically hold of its own money an amount equal to 10 per cent. of the bank notes for the purpose of prompt redemption of these bank notes. But this is not all; both character of notes are guaranteed and finally made payable by the United States, although having no security whatever on hand for the reserve notes, but the Government must take its chances to recover from the assets of the bank. Where the Government shall find the money for the redemption of the banks' legal tender notes or the reserve notes is not provided for in the bill, except that this shall be done from money not otherwise appropriated.

This seems a very simple manner of paying bills, and should be adopted in connection with the current expenses

of the Government, interest on bonds, pensions, etc., and tariff and internal revenue taxes would no longer be needed.

The bill also provides for a "Board of Advisors," consisting of seven presidents of banks. Would it not be well to put the entire machinery of our Government into the hands of the banks and abandon the Legislative, Executive and Judiciary departments?

Of Government paper, there has been but \$246,000,000 outstanding unsecured, while the capital of the National Banks aggregates about \$700,000,000, and would require a cancellation of Government money to the extent of \$350,000,000. We have here therefore an amount exceeding \$100,000,000, which would be paid to the Government, and of which no disposition is made in the bill. The bill states that the amount shall be covered into the Treasury as a miscellaneous receipt.

The bill appears to have but one object, and that is to favor the banks at whatever cost to the people. The bill practically provides for an unlimited issue of notes, guaranteed by the Government, in place of the present limited issue of \$246,000,000, and represents a worse proposition for fiat money or "wild-cat" money than has ever been presented.

The bill is full of surprises, considering the source from which it emanates. It tells us that when the \$246,000,000 of legal tender notes uncovered have been paid into the Government, the Government will be relieved from paying gold, and that it would be a matter of much indifference what the Government pays out, as in the case of any private citizen. We have here a betrayal of absolute ignorance of the science of money or the duty of the Government towards its people. It is not a question of a demand upon the Government for gold, but it is a question of preserving specie payment for the country, of whatever nature the paper circulation may be.

To authorize a banking corporation to issue legal tender notes, or any notes whatever, is a crime against the people, except in the case of our war period, when it was a war measure.

The bill makes no provision for increasing the metal reserve of the country, nor for indemnifying the general public against the depreciation of the silver dollar, which by

the operation of this bill will be largely forced upon the public.

When the law to maintain the parity of all moneys is canceled by the cancellation of outstanding demand notes, the legal tender nature of our silver dollar cannot be maintained.

The bill also provides for the payment of duties in gold, by which the Government practically cancels the legal tender quality of the silver dollar.

At the same session of Congress another bill was introduced and by a member of the same committee, bearing the number 6,442. This bill seems to have for its prime motive the reorganization of the Government indebtedness, a reorganization in the manner of the reorganization of many of our railroads, and, of course, at heavy expense to the Government.

The bill proposes :

That a new 2 per cent. bond shall be issued, payable in gold and exchangeable for the present bonds *at their market value*. Special care seems to have been taken to advance the market value of the present bonds by the advantages offered to the new bond. It is proposed that the new bond shall be taken as security for a legal tender note to be issued to the banks to the extent of \$100 for every \$105. We will allow the possibility that this bond, considering the advantages it possesses, will continue to sell at par, but it would not be worth par for general liquidation purposes, and would therefore represent an insufficient security.

The bill provides further that banks shall hold at least 15 per cent of their deposits in gold and that 10 per cent. may be held in silver, but that one-half of such 25 per cent. reserve may be represented by deposits in reserve cities or notes of other banks. We have here another concealed measure of forcing the silver dollar upon the public and a means for the banks to pay out silver as quickly as it may be received.

This bill provides for a further issue of bank notes based upon the deposits and to the extent of 50 per cent. off such deposits.

This issue would take from the depositor much of the security he now enjoys. It may in fact be stated that the

issue is one based on the capital of depositors who would be likely to suffer losses without deriving any benefit from the proposed issue.

This bill practically reduces the present reserve of 15 per cent. in Government money to a reserve of $4\frac{1}{2}$ per cent. in gold, and, in the case of banks in reserve cities, the reserve would be similarly reduced to $7\frac{1}{2}$ per cent. in gold. How any one can consider a reserve of $4\frac{1}{2}$ per cent. in the case of country banks as sound banking is beyond comprehension. These bills are so bold and would indicate that our National Banks are confident of controlling legislation.

The period for miscellaneous bank circulation has passed. It is only an experiment of a primitive state and does not exist under any of the leading commercial nations.

If France tolerated 4,000 banks all struggling for circulation, the present stability of her money, although artificial, could not exist. If India had a miscellaneous bank note circulation, the stable rates of exchange which she has recently enjoyed would be impossible.

It is, however, possible to perfect our monetary system by limiting the bank note issue to its present amount..

ADDENDA.

The currency plan submitted by the Secretary of the Treasury is un-American, against the interests of the public and in favor of the National Banks and concentrated speculative capital. It is un-American because it is retrogressive. It proposes that we shall acknowledge to the world that we have made a mistake in our monetary legislation and to retire circulation at a severe loss, as against the proposition of the Luttgen Monetary System, which system proposes to perfect the existing money and to overcome the obstacles speculators have put into the path of the Government, and to perfect our circulation and to establish a money inferior to none.

It is against the interests of the public, for it is class legislation. Further, it proposes to change \$200,000,000 of non-interest paying obligations into obligations demanding the payment of \$5,000,000 interest per annum. It is against the interest of the public in creating an unsound money, a system of issue by banks which experience has condemned in every mercantile nation. It proposes to refund bonds for the benefit of bondholders, and, by deferring paying a portion of the interest, to pay bondholders about \$20,000,000 more than they would receive through the present bonds at maturity. It will cost the nation within nine years at least \$65,000,000 without conferring a single advantage. It is puerile financiering to refund bonds when speculation has driven up their prices.

We recognize in this bill the influence of the reorganizer and promoter, who, to place their fraudulent securities upon the public, favor a fiat bank money, to create inflation, during the progress of which they may pay themselves in gold before the inevitable collapse. The truth must be recognized that a sound circulation cannot be based upon the issue of any corporation having other obligations out. A bank of deposit cannot safely become a bank of issue. There is no safety for a stable money in such a combination unless a reserve in gold of about 50 per cent. of both deposit and issue were kept on hand, and this is practically impossible.

Those who are advocating this bank issue are not alone imperiling the material welfare of this country, but its political institutions as well. The country will look to an upright congress to save it from the over-hanging disaster.

The Luttgen Monetary System, however, is American and patriotic. It will save the Government in interest alone at least \$90,000,000 during the same period of nine years, making a difference and benefit to the nation of \$155,000,000 over the Secretary's plan.

It is not possible that the Secretary's bill will ever be seriously considered by Congress. Should such, however, be the case, it will be time enough to thoroughly criticise and expose it. A true monetary system in this country must concentrate the gold and maintain the interchangeable quality of all money and relieve all banks from actual gold redemption.

A circulation, upon any portion of which bankers' credits, in every town and village of the land, can rest with confidence, will benefit the country more than any other system.



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